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WORK MATERIALS NO. 17

TENTATIVE OUTLINES AND SUMMARIES OF STUDIES IN PROCESS

PART A: INDUSTRY STUDIES

Work Materials No. 17 falls into the following parts:

Part A: Industry Studies
Part B: Labor Studies
Part C: Trade Practice Studies
Part D: Administrative Studies
Part E: Legal Studies
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TENTATIVE OUTLINES AND SUMMARIES OF STUDIES IN PROCESS

In order that those working on one study may secure access to allied materials in other studies, these TENTATIVE OUTLINES AND SUMMARIES are made available for confidential use within the Division of Review.

Since these documents were prepared from work that is now in process, they are highly tentative. The outlines are the present operative tables of contents of the studies, but they are of course subject to change as the work progresses. The summaries are, in some cases, forecasts rather than actual summaries of developed manuscripts. Notwithstanding their tentative character, the documents will serve to indicate in some detail the subject matter of the studies now in process in the division. No one will think of these materials as "findings" or "reports" in the usual sense of those terms.

It is expected that these TENTATIVE OUTLINES AND SUMMARIES will result in many conferences, both formal and informal, among those working on the studies--to the ends that effective coordination of the studies may occur and duplication of effort will be reduced to a minimum.

L. C. Marshall
Director, Division of Review

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December, 1935.

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AUTOMOTIVE INDUSTRY

Preliminary Summary of Findings

This economic summary of the Automotive Industry comprises the manufacture and distribution of automobiles and parts therefor to the consuming public. The Industry is comparatively young being only three decades old in 1929 and can be considered to have been in the development stage at least until 1926. It has furnished direct and indirect employment for more than five million workers. It is one of the largest, if not the largest, manufacturing industry, employing directly in 1934 approximately 450,000 men annually in the manufacturing processes and 350,000 in the distribution processes.

One of the unique features of the Financial History of the automobile manufacturers is that they financed themselves almost entirely out of profits. Certain periods in their growth are accompanied by the ratio of net income to average capital of some manufacturers running in excess of 50 per cent. During the past ten years net income for these manufacturers has averaged approximately 30 per cent of their average capital stock. Their Financial History contrasts with that of the Public Utility Industry which has developed and expanded largely through the form of fixed indebtedness incurred through bond issues and the like.

The technological advance, or in other words, the improvement in mechanical processes of mass production, has enabled this Industry to so reduce the cost of its finished product that in the short space of time between 1908 and 1912, one manufacturer was able to reduce the price of his product from $950 to $550 and yet maintain his profit position by the material increase in the demand resulting from the reduction in price.

The competitive factors have been constantly present in this Industry since its inception. At the present time three manufacturers dominate the Industry, namely, Ford Motor Company, General Motors Corporation, and the Chrysler Corporation. These manufacturers at present account for more than 90 per cent of the total production in the Industry, the balance being divided among eleven other manufacturers, known as the "Independents", chief among which are Packard Motor Car Company, Studebaker Corporation, and Hudson Motor Car Company.

The importance of style change and the addition of the utility aspect to the luxury and pleasure aspects, have increased demand and together with price reductions have so broadened the market that in 1929, 4,794,898 units were produced by 427,459 employees. The effect of the depression was to reduce these figures to 1,627,361 units and 190,027 employees in 1933. The competitive struggle during the depression years did not, however, cause a material downward adjustment by the factories in the price of their automobiles. It was contended, however, that greater value was being built into the merchandise by various mechanical and decorative improvements. Labor was becoming restless as the workers out of employment increased. This restlessness tended to bring to

the surface certain grievances, either substantiated or unsubstantiated, held against the manufacturers. Chief among these were the contentions that "speed-up and espionage" were making conditions intolerable for those fortunate enough to be employed.

In the formation of the Codes of Fair Competition, the automobile manufacturers desired no interference or regulation in their productive processes. However, they submitted and accepted a Code with very flexible labor provisions and no trade practice provisions. The automobile parts and equipment manufacturers, due to their close manufacturing association with the automobile manufacturers, adopted similar labor provisions in their Code. However, due to the greater integration of this group and the multiplicity of units they desired to establish certain trade practices in order to govern competition among themselves.

One effect of the Code in the Automobile Manufacturing Industry was to make the Industry conscious of the necessity of improving its labor relations and working conditions. It can be said that even though the labor provisions in this Code were very flexible they did tend to increase the irregularity of employment during the year. The question can be raised, however: Is not this irregularity of employment and the spreading of work desirable as contrasted with a group receiving no employment at all throughout the year? Before a definite answer can be given a close study and consideration of the other fields of employment such as agrarian employment should be made and its tendency to balance out the irregularity of industrial employment in certain areas.

For the past ten years automobile production during the annual period has assumed approximately the same curve, reaching its maximum during the late spring months of April and May, and its minimum some time late in October or the first part of November. By Executive Order of the President, based on studies that were conducted with reference to a possible leveling of production, it was recommended that the new model urge be superimposed on the normal "low" area in the early winter months by the introduction of new models in the late fall of the year. It was felt that this would help to regularize employment and prevent superimposing a new model urge on top of a normal seasonal urge as has been the case for the past ten years when the shows were announced in January. At the present writing, the partial success of the Fall Show has been shown by the stimulation of the demand for automobiles in a normal slack season. But a carryover from the Fall Show Period of a large used car inventory resulting from this new model impetus may strain the financial reserves of the dealer during the cold winter months when demand for this type of car is at its lowest ebb. What the net effect of the Fall Show will be is as yet conjectural.

In the distribution end of this Industry the Motor Vehicle Retail Trade dealers suffered from competition among themselves caused by competitive bidding on the used car which as a rule is taken in trade and accepted in lieu of money as part payment on a new car. Dealers operating with an overhead incurred during the flush years were forced to meet expenses on less than 1/3 of the former total volume of sales and in certain instances were faced with, especially in urban areas, an increase in the number of competitors handling similar makes of cars. The

"used car problem" and the "factory-dealer relationship" were the two major issues accentuated by the depression.

The Motor Vehicle Retail Trade dealers eagerly advocated a Code which would regulate competition with reference to the used car and its use in lieu of money. The other trade practice provisions contained in this Code largely tended to strengthen and prevent evasion of the used car allowance provision, and in addition covered "bootlegging" of new cars and false speedometer adjustments.

During the Code period, on the basis of certain spot checks taken, Dealers showed a reduction in their used car losses which was attributed to the used car allowance provisions contained in the Code. It is contended, however, that this improvement in the used car situation was virtually off-set by the action of the manufacturers in eliminating certain accessory and delivery profits which they had previously enjoyed. This they claimed amounted to a net reduction in the gross profit margin. The Dealers also contended that the manufacturers in their struggle to maintain volume especially during the depression, expanded their policy of establishing competitive Dealers in the same territory which tended to reduce each individual Dealers sales potential to such an extent that it was no longer possible for him to make a fair profit. This is commonly known as the "multiplicity of dealerships" and was not covered by any provisions, either in the Manufacturers Code or the Dealers Code.

Generally speaking, it is felt that the maximum used car allowance provision of the Motor Vehicle Retail Dealers Code provided a more accurate measure of the market value of the used automobile than was obtained before the Code period. It can be argued, however, that fixing a maximum allowance price even though it is above the average price, works a hardship on those consumers and on certain dealers from whom they buy, where the dealers operating efficiency is considerably above the average, or whose physical and geographical set-up enables them to operate at greatly reduced overhead cost of sales as contrasted with certain other competing dealers. Indeed, within the same geographical sales area, there has been shown to be a wide divergence in the market for used cars. A case in point is Washington and Philadelphia, both in the same area of regulation for maximum values, which had during 1934 a market differential of some 25 per cent in the value of its used merchandise.

In their desire to continue regulation of competitive practices within the trade, the National Automobile Dealers Association submitted to the Federal Trade Commission a voluntary trade practice agreement subsequent to the Supreme Court Decision invalidating the original NRA Act. Up to the present writing, this voluntary agreement has not been accepted.

It is felt that the following areas for further study, if carried out to completion, should yield the answers to certain controversial problems still present in this Industry and Trade:

(1) Has the development of the Automobile Industry progressed beyond its sales policy and method of distribution? In other words,

has the automobile been accepted by the consuming public to such an extent that it can no longer be considered a "specialty" product and therefore no longer lends itself to specialty selling methods. (The essential characteristics of its distribution methods has remained static for the past twenty years.)

(2) If the present method of distribution no longer serves the purpose of delivering the product most effectively and at the least cost to the consumer, would a centralized selling depot be more effective and efficient?

(3) If the present distribution system is found to be correct, then what adjustments should be made in order to overcome "the used car problem", "factory-dealer relations", "multiplicity of dealer relationships", "seasonal adjustment of selling prices", etc.

(4) Is the Automobile Manufacturing Industry a high profit industry as is popularly assumed? How are these profits distributed among executives, stockholders and personnel? What has been the effect of the great strides made in "technological advancement", its relative impetus during the periods of slack demand, and its necessary function in bringing about increased productivity?

(5) What is the effect of the present foreign trade policy on the prorated 71,000 employed (1929) and the $579,000,000 of exportable production (1929) within this Industry?

(6) Why can not a decrease in "real" prices, contrary to established popular opinion, result in an accelerated increase in net sales and - what is most important - in an accelerated increase in net profits available for dividends; thus permitting the formulation of an economic philosophy based on the simultaneous procurement of -

(a) Lower "real" prices and greater "real" value to the consumer

(b) Increased demand, increased employment and increased compensation for labor.

(c) Greater profits for the investor.

(d) An increase in public wealth and a corresponding stabilized prosperity.

Can not a scientific method of price determination be established that will permit the planned economy of free competition?

It can be said, without fear of contradiction, that a study which considers this Industry as a unit in its manufacturing and distributing processes can eliminate factional group bias and through a more complete understanding of the motivating causes, many of the so-called "issues" or "friction points" can be overcome, to the betterment of the Industry, its associates and its consumers.

BITUMINOUS COAL INDUSTRY

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BITUMINOUS COAL INDUSTRY

Preliminary Summary of Findings

Unlike most industries, the bituminous coal industry experienced economic distress and liquidation for several years prior to the general depression, which began with the stock market collapse late in 1929. Mine prices of coal had fallen year after year since 1923, wages of workers were progressively lowered, and the financial condition of operating companies was being seriously impaired. The depression period prior to the Code merely intensified the process of economic decline and liquidation of the industry which began in 1924. The chief cause of this distress is to be found in the fact of excess productive capacity as compared with consumer demand.

Excess Productive Capacity

The entire statistical record of the bituminous coal industry (dating from 1882) indicates productive capacity in excess of production. However, up to 1918, the industry enjoyed a remarkable and fairly uniform growth. The average annual increase from 1899 to 1918 was approximately 18,000,000 tons. This increasing production, while accompanied by increasing capacity, nevertheless mitigated somewhat the pressure of overcapacity; and until 1917, the level of mine realization for coal varied only moderately from year to year. Beginning in 1917 and continuing through 1923, the average realization was more than double the level that had prevailed over a decade prior to the war. As shown by Treasury statements, the industry reaped enormous profits from 1917 to 1920, reaching nearly a quarter of a billion dollars in the latter year.

These conditions resulted in a great increase in the number of mines, the attachment of great numbers of workers to the industry and enormous expansion of capacity. This growth continued through 1923, when capacity reached an all-time peak of 970,000,000 tons, on the basis of a 308-day year. Since the highest production ever recorded was only 579,000,000 tons (during the war), so great an excess over marketable demand rendered inevitable the liquidation and deflation process which followed and continued up to the summer of 1933.

Period of Deflation, 1924 - 1933

The full force of excess productive capacity began to make itself felt in 1924. By that time the problem of car shortages that existed in earlier years had disappeared, thus intensifying the maladjustment of capacity and demand. Also, the increasing demand of earlier years failed to materialize. The high prices of coal during the war and post was years had given tremendous impetus to fuel efficiency, thereby diminishing to an appreciable degree the tonnage that would otherwise have been required. The 10-year average of production, 1920 - 1929, was 510 millions tons, or 69 million tons less than the peak year. Had the trend of production up to 1918 continued until 1929, the output at the end of the period would have approximated 700,000,000 tons, or 165,000,000 more than was actually produced in that year of high industrial activity.

With capacity 400 million tons in excess of consumer demand in 1923, the ensuing price decline was inevitable. Prices dropped sharply in 1924 from 1923 levels, and each year thereafter (except 1926) until the summer of 1933. In 1932 the average realization was $1.31 as compared with $2.68 in 1923, a decline of over 50 per cent.

The marked decline in prices was accompanied by liquidation in wages to employees. After the signing of the Jacksonville wage agreement in April 1924, which embraced operations in the States north of the Ohio River, there occurred considerable wage cutting in their competing areas in West Virginia and Kentucky. This cutting of wages and prices in one section of the industry resulted ultimately in the destruction of the negotiated wage structure of the northern states and later, except for a minor portion of production, in the complete abandonment of a unified or coordinated wage structure. Prices and wages alike were reduced to abnormally low levels, and the industry's financial solvency was being destroyed as the process continued.

Effects of Bituminous Coal Code

The two major objectives of the Coal Code were to stabilize at reasonable levels the prices of coal and the wages of employees. Prior to the adoption of the Code hardly 15 per cent of the employees in the industry were employed under collective bargaining agreements; under the Code nearly 95 per cent of all employees in the industry were so employed. The schedules of basic rates of pay set forth in the Code represent the most comprehensive correlated wage pattern ever in effect in the industry. The structure of wages was maintained throughout the Code period and continues up to the present time, with increases in rates of pay in April 1934 and again in October 1935.

A measure of the wage gain of workers is shown in the increase in wage costs per ton of coal produced. Detailed statistics covering a very large sample of the production in Division I (embracing Pennsylvania, Ohio, West Virginia, Kentucky, Virginia, Northern Tennessee and Michigan) shows that the wage costs per ton for May, 1933, averaged 61.4 cents. With the adoption of the Code October 2, 1933, wage rates were so increased that the returns to labor in this area averaged 94 cents per ton, an increase of 53.1 per cent over May. The original rates under the Code for this area continued until April 1, 1934, at which time hours were reduced from eight to seven per day, and daily and tonnage rates of pay were increased. For the ensuing 9-month period -- April through December 1934 -- the wage cost per ton averaged $1.153. This was an increase to labor per ton of coal mined of 53.9 cents over that which prevailed in May, 1933, or an increase of 87.8 per cent.

Converting these per ton gains in wages to miners it is found that for this division of the Industry, total wage payments were $120,900,000 greater in 1934 than would have been realized by employees had the wage rates in the Spring of 1933 prevailed during 1934. Assuming that 300,000 miners are employed in this area, the gain per worker due to the Code regulation of the industry amounted to about $400 for the year; or, putting it another way and taking 5 tons per day as the average output per worker for all those employed, wages per day increased about $2.70 over the level prevailing in the spring of 1933, prior to the Code. These gains to the workers are, of course, tremendous.

For Division III of the Industry (Alabama, Southern Tennessee and Georgia) the gains for labor were much the same as in Division I (Appalachian Area). The labor cost for May, 1933, was 74 cents per ton. For the period April to December, 1934, under the Code, the labor return averaged $1.39 per ton, a gain of 65 cents per ton or 87.8 per cent. The wage bill for 1934 was increased to $13,833,000, a gain of $5,990,000 over what it would have been if the May, 1933, rates had continued in effect. Estimating the total number of employees at 18,000, the average improvement in annual wages per employee was approximately $330 under the Code in 1934, as compared with the pre-Code earnings for May, 1933.

The two Divisions for which wage improvements have just been cited represent approximately three-fourths of the output of the industry.

Price Control and Realization from Coal Sales under the Code

Obviously such gains for labor as have been indicated could not have been made without considerable increase in the price structure for coal. Wages normally constitute between 60 and 65 per cent of the total cost of production, and this relationship of necessity continued under the price and labor stability program instituted by the Code. For Division I (Appalachian Region, excluding Alabama, Southern Tennessee and Georgia) the average total cost of production for the 10-month period April 1934 - January 1935 was $1.905 per ton, while the realization from sales of coal during this period averaged $1.92, a margin of 1.5¢.

The increase in realization in this Area in 1934, after the wage and price increases of April, is estimated at 80 cents per ton above the average realization of the 9-month period immediately preceding the Code in 1933.

The price structure set up under the Code, although sharply increased over pre-Code levels, was adequate only to cover costs of production for the industry as a whole. Some areas, such as Illinois, Indiana and the Rocky Mountain districts, realized net profits, while others - notably Alabama and the deep mines of Division IV (Arkansas, Oklahoma, Kansas and Missouri) - show net losses, as far as the limited statistics permit of any conclusion. Without the stabilization of prices at approximately the levels set under the Code, the industry would not have been able to carry out the schedule of Code wages. Many complaints arose during the last six months of the Code that the fixed prices were not being observed by many industry members; and this condition caused many operators and the United Mine Workers to work for the passage of special legislation designed to correct the shortcomings of the Code, and to give the industry the promise of continued stabilization under Government regulation. This was achieved with the passage of the National Bituminous Coal Conservation Act of 1935, which became law on August 30, 1935.

CONSTRUCTION INDUSTRY

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CONSTRUCTION INDUSTRY

Preliminary Summary Of Findings

The History of Construction shows an incomplete transition to an industrial status. This transition has been taking place during the past 50 years and is still under way. Different stages have been reached by general building contracting, by plumbing contracting, by tile contracting, and by heavy construction.

Definitions of the Construction Industry, designed for legal purposes under the N.R.A., raised countless questions. Hundreds of other industries, thousands of public agencies and hundreds of thousands of individuals, at one time or another, perform the functions of members of the Construction Industry, doing construction work for their own use. A majority of these other agencies use construction labor from the common pool of the Industry, and contractors must compete with them in the struggle for business incident to the transformation of construction to an industrial status.

There was considerable overlapping in the functions performed by the members of the various divisions of the Construction Industry.

The practical method recommended for reconciling the needs of members of the Industry with the interests of others performing construction functions was to establish a functional definition for the Industry and its parts, and to issue exemptions to agencies which did not draw their labor from the common pool. While functional definitions were written to govern major parts of the Construction Industry under N.R.A., exemptions were not granted in accordance with such a criterion. Little progress, during N.R.A., was made in solving this problem of definitions.

The Scope of the Construction Industry is tremendous, and data for it can only be estimated. The number of contracting firms and individuals, engaging principally as employers, numbered 167,512 in 1930. In addition to these, there was an unknown number of self-employed journeymen who occasionally took contracts. In 1920 there were 90,109 contracting firms or individuals, and in 1910, 174,422.

The Number of General Building Contractors was 37,579 in 1929, according to an incomplete figure.

The Number of Plumbing Contractors has been about 25,500 since 1929.

The Number of Tile Contracting Firms was approximately 3,000 in 1929 and 2,354 in 1933.

The Number of Heavy Construction General Contractors was 3,082 for 1929 - also a partial figure.

The Number of Employees in the Construction Industry numbered between 3,000,000 and 3,500,000.

The Wage Volume of the Construction Industry, excluding the salaries of office workers, amounted to approximately $3,370,000,000, in 1929.

The Number of Employees of General Building Contractors cannot be estimated. They involve principally three trades, carpenters, bricklayers, and common laborers. Of these there were about 1,520,000 in 1930, but all of them would not be employed by general building contractors exclusively.

The Wage Volume of Employees of General Building Contractors cannot be estimated. For the Building Division of the Construction Industry as a whole it is estimated at approximately $2,420,000,000 in 1929.

The Number of Employees of Plumbing Contractors is approximately 150,000, exclusive of technical and office workers.

The Wage Volume of Employees in the Plumbing Contracting Industry, excluding office workers, is estimated to have been approximately $181,400,000 in 1929 and $59,100,000 in 1933.

The Number of Employees in the Tile Contracting Industry is estimated at about 19,400 in 1929. Wage volume data are lacking.

The Number of Employees in Heavy Construction is not available. Combined with those in Highway Construction, however, it is estimated that there were between 1,000,000 and 1,200,000 in 1929 and 1930.

The Wage Volume of Heavy Construction Employees is not ascertainable; but combined with that of Heavy Construction it was approximately $950,000,000 in 1929.

The Total Volume of Construction reached its peak in 1928, when it was about $11,975,000,000. It was lowest in 1933, with about $3,108,000,000, or 26 per cent of the 1928 volume. During 1934 the volume increased approximately $918,000,000 over 1933, being about $4,026,000,000, or 34 per cent of the 1928 total.

The Volume of Building Construction rose from a depression low, in 1921, of $3,786,000,000 to a maximum in 1928 of $8,237,000,000. From the latter, it declined rapidly to 1933, when it was $1,335,000,000. The 1933 volume was approximately 16.4 per cent of 1928 and 35.8 per cent of 1921.

The Volume of Plumbing Contracting during the depression of 1921 totaled about $344,100,000. It increased annually until it reached $749,900,000 in 1928. It hit a low point in 1933 of approximately $147,800,000, or about 19.7 per cent of the 1928 volume, and 43 per cent of the volume during the depression of 1921. During 1934 the dollar volume increased over 1933 approximately $43,520,000 to about $191,320,000.

The Volume of Tile Contracting rose from approximately $39,840,000 in 1920 to a peak of $84,700,000 in 1928. From 1928 to 1933 it declined to about $9,000,000 or about 10.6 per cent of the peak. During 1934 tile contracting increased over 1933 about $3,000,000, making a total of about $12,000,000.

The Volume of Heavy Construction was not estimated prior to 1925, when it was approximately $1,816,000,000. This volume increased to a peak

in 1930 estimated at $2,233,000,000. It declined to $776,000,000 in 1933, or about 34.8 per cent of the volume of 1930. During 1934 the volume of heavy construction increased approximately $204,000,000, reaching a total of $981,000,000, or approximately 126 per cent of the 1933 volume.

The Volume of Highway Construction was not estimated prior to 1923, when it was about $1,047,000,000. It reached its peak in 1930 with $2,036,000,000, which was about 194 per cent of the 1923 volume. It declined from 1930 to about $997,000,000 in 1933, or 49 per cent of the 1930 peak. During 1934 the volume increased approximately $360,000,000 to a total of about $1,357,000,000.

The Present Potential Demand for Public School Buildings amounts to approximately $3,960,000,000. The prospects for financing this demand through state, county, and local school agencies appear remote.

Seasonal Factors in the Construction Industry constitute one of its most serious problems. These seasonal factors vary with each Division. Most rapid progress towards eliminating seasonal fluctuations has been made in the Building Division. In 1922 the extreme seasonal variation was about 45 per cent of the peak month; but this had declined to 20 per cent in 1928-1929.

Progress in the Plumbing Contracting Industry is indicated. There was a seasonal spread of about 50 per cent of the peak in 1922, but of only 20 or 25 per cent in 1929.

Seasonal Variations in Heavy Construction differ widely with the different types of operations. Weather conditions are a dominant factor. On grading operations, which are affected by rain and excessive cold, January employment in 1929 was about 34 per cent of the August peak. On subway and tunnel work in the same year, however, employment in the low month was approximately 70 per cent of the peak.

The Progress Made in Heavy Construction toward lessening seasonal variations is not measurable at this time.

The Effect of Code Operation on seasonal activities was negative.

Construction Costs and Contract Prices have shown different trends in the various divisions of the Industry, due to different rates of mechanization and of improvement in management and technique. Mechanization was greatest in the Heavy and Highway Divisions of the Industry, and least in the Building Division.

Building Costs rose sharply from 1914 to a peak in 1920, when they were 252 per cent of 1914 level. In 1928 they stood at about 190 per cent of 1914; and in March, 1933, they were at 130 per cent of the 1914 level.

The Effect of N.R.A. and of other New Deal policies became manifest early in 1933, when building construction costs rose from quarter to quarter, reaching a recent peak of 165 per cent of 1914, in October, 1934. Since that month building cost levels have tended downward until, in September, 1935, they had lost five points and were at 160 per cent of 1914.

Heavy Construction Costs have varied in the different sections of the Heavy Construction Industry. Grading costs, being more extensively affected by mechanization, reached a peak in 1920, at 250 per cent of the 1915 level. Steady, sharp declines began in 1924, when such costs were about 164 per cent of the 1915 level, until, in 1933, they had declined to a low point of about 98 per cent of 1915. During 1934 they increased only slightly, reaching a point approximately equal to 1915 costs. Other sections of the Heavy Construction Industry varied in their cost movements, tunnels and subways reaching a low of 111 per cent of the 1915 level in 1933, and moving upward in 1934 to 122 per cent. Costs of bridges, trestles, and culverts reached a low point at 122 per cent of the 1915 base during the years 1932 and 1933. In 1934 they increased 136 per cent of the 1915 level.

The Development of Machinery in the Construction Industry has been marked since about 1919. It has been most pronounced in the Heavy and Highway Construction Industries.

In Heavy Construction Grading the improvement in man-hour production in loosening average earth ran as high as 6,675 per cent of previous hand methods. In loading operations mechanization has produced an increase in man-hour productivity up to 6,664 per cent over hand-loading. In combined loosening, loading and hauling excavated material the improvement in man-hour productivity varies in accordance with the length of the haul and general conditions, as terrain, etc. In 500-foot hauls the productivity per man-hour has been increased up to 657 per cent. With hauls of about one mile it has been increased up to 855 per cent.

Mandatory Minimum Percentage Mark-Ups for Overhead which appeared in eight of the Supplementary Construction Codes, were not economically sound, if experience with the Tile Contracting Code is a criterion. In 1932, 14.6 per cent of 84 firms who answered a questionnaire operated at less than the 20 per cent overhead required under the Code. They performed about 41.9 per cent of the volume reported. For 1933, 9.4 per cent of these firms reported the performance of 20.2 per cent of the reported volume at less than 20 per cent overhead.

The Decline in Private Construction Activity was halted during the Code period. An upturn in private work began in March, 1935. During the six months following this, the average monthly volume of private construction work was 167 per cent of the average for 1934, 166 per cent of 1933, and 163 per cent of 1932. Adjusted to the cost of construction, these six months' contracts averaged 167.5 per cent of 1934, 145 per cent of 1933, and 138 per cent of 1932.

The Improvement of Procedure in Awarding Contracts was one of the central features of pre-Code and Code drafting activity in the Construction Industry. In administration, the Construction Code Authority, by stating that architects were not awarding authorities and by thus releasing them from Code control, practically nullified the progress on this problem made in Code drafting.

By legal ruling State and local public officials were also exempted from Code control. Owners, not engaged in contracting, denied that they

were members of the Industry; and difficulties were enhanced in obtaining compliance from them because of the release of architects from Code control.

The exclusion of architects and public officials from control by the Codes, as cited above, together with the difficulties encountered in controlling the practices of owners, limited the efforts which were made to improve many trade practices which the Code sought to regulate. Thus, little progress was made under the Codes in preventing the issuance of inadequate plans and specifications, the calling for an excessive number of alternate bids, the inviting of excessive numbers of bidders and the demanding of free services, the rejecting of bids and immediate calling for new bids for the purpose of beating down prices unfairly, the correction of loose credit practices, the pre-qualification of contractors, the removal of irresponsible contractors, or the harmonizing of specialized or local group interests.

Progress was made in eliminating bid peddling and bid shopping, although at entirely different rates in the different geographical sections and in the different divisions of the Industry. This practice, prohibited under the Code, was not wholly eliminated in any portion of the Industry, while in some divisions the progress made was very slight.

Price Maintenance Provisions were effective in raising prices and procuring the recovery of costs to a marked degree in the Tile Contracting Division of the Industry. In ten other divisions having price maintenance provisions, results were less noticeable, and the effect varied widely from one to another. The vast majority of the Industry operated without such provisions.

Limited Progress was made in eliminating the practice of withholding payments due to sub-contractors and material men.

No Progress was made in eliminating the substitution of inferior materials, in solving the pressure for liquidation of investments in idle equipment, or in limiting the increase in competition, due to the number of employees entering the contracting field.

Legal Aspects of Inter-State and Intra-State Commerce reveal that in some classes of work within the Industry from 40 to 56 per cent of all work is normally performed by contractors from outside States, and that in all groups inter-state competition exists.

Practically all construction materials move in inter-State commerce and are directly affected by the conditions in the Construction Industry. For example, gypsum is produced in only nine States and must be shipped to the remaining 39.

ELECTRICAL MANUFACTURING INDUSTRY

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ELECTRICAL MANUFACTURING INDUSTRY

Preliminary Summary of Findings

CLASSIFICATION OF THE ELECTRICAL MANUFACTURING INDUSTRY

The Electrical Manufacturing Industry is variously classified by agencies that collect and record data relating to it. It has been necessary, therefore, for the study to contemplate the Industry in its broadest scope and to embrace the manufacture, importation, distribution and exportation of machinery, apparatus, equipment and supplies used in the generation, storage, transmission or utilization of electric energy.

HISTORY OF THE INDUSTRY

Many of the basic discoveries and inventions in the field of electricity occurred prior to 1900. Nevertheless, the results of new researches have in recent years revolutionized the mode of industrial and domestic life. Electrical products will doubtless play an ever increasing part in the future life of the nations.

Many obstacles were met in establishing the Industry. The early days in this respect were days of tribulation. The various milestones in the formation and development of the Industry are clearly marked in the record of a few pre-eminent concerns which can trace their organization to the first days of commercial development, and which still maintain their dominant positions in the Industry. The growth of these concerns was due to consolidation, absorption and internal expansion. Gradually a gigantic financial structure evolved. In the year 1930, 1,317 concerns reported as electrical manufacturers to the Bureau of Internal Revenue, and showed total assets amounting to $1,497,489,595. The capital stock of one pre-eminent concern was in the hands of 186,098 persons as of June 30, 1935; and as of December 31, 1934, 49,947 persons held preferred or common stock in a second concern.

FINANCIAL AND CORPORATE STRUCTURE

The corporate form of organization is prominent in the Electrical Manufacturing Industry, and is represented by both the owned and controlled and the controlled but not owned types. In the case of one concern having 422,470 shares of no par stock in issue, about 68 per cent was owned by the company directors. Contrasted with this case is that of another concern having more than 28,000,000 shares of common stock outstanding, less than one per cent of which was controlled by directors of the company. Analysis shows that the investing public has made substantial contributions to the capital structure of the Electrical Manufacturing Industry.

According to Bureau of Internal Revenue returns covering the classification "Electrical Equipment and Machinery and Radios, Complete or Parts," the Industry showed a net profit, before deducting income tax, of $87,973,850 in 1930. In each year of the period 1931 through 1933 a deficit was shown. The greatest deficit occurred in 1931 and amounted to $51,478,309. The 1933 deficit, amounting to $16,134,236, indicates

that the industry is on its way to recovery; and this is borne out by earnings for the first six months of 1935, as reported for designated electrical manufacturing concerns by recognized authoritative financial reports.

VALUE OF PRODUCTION

The Electrical Manufacturing Industry was perhaps the most diversified industrial group operating under a single basic code. A supervisory agency charged with the administration of the Code reports that it had established approximately 170 product sections. The number of items produced has been estimated to approximate 30,000. In 1929 the Census of Manufactures reported a total value of production for the Industry of $2,300,915,572. Manufacturing operations are concentrated in eight states, all of which are east of the Mississippi River and north of the Mason-Dixon Line, and which account for approximately 90 per cent of the total value of production.

According to the Census of Manufactures, there were, in 1929, 1802 establishments in the Industry; and measured by value of production it was sixth in rank of all manufacturing industries. In 1929, 18.9 per cent of the total number of establishments produced 87.7 per cent of the total value of products. Each of these concerns did a business for the year in excess of $1,000,000.

The Electrical Manufacturing Industry produces both durable capital goods and durable consumer goods, the former being estimated to constitute about 70 per cent of the total value of sales.

The value of production in 1931 and in 1933 showed declines from 1929 of 48.4 and 70.7 per cent, respectively.

The sales billed by three prominent electrical manufacturing concerns in 1925 amounted to 48 per cent of the total value of production for the Industry. This percentage declined in 1927 and 1929 to 39 per cent. It increased to 43 per cent in 1931 and declined again in 1933 to 33 per cent.

EMPLOYMENT, HOURS OF WORK AND EARNINGS FOR FACTORY WORKERS

In 1929, the industry employed 328,722 wage earners. This represented increases as follows: from 1889, 3,635 per cent; from 1899, 682 per cent; from 1919, 54.8 per cent.

The Census of Manufactures shows that in 1929 the Industry ranked sixth among manufacturing Industries with respect to the number of wage earners employed.

Of the total employed in 1929, 88 per cent were in establishments located in eight states. Three per cent of the total number of establishments employed more than 1000 wage earners apiece, accounting for 57.4 per cent of the total employment.

In 1933, 24.7 per cent of the total number of wage earners were employed in establishments located in cities with a population of 500,000 and over; and 26.3 per cent were in cities with a population of 100,000 but under 500,000.

According to the Bureau of Labor Statistics factory employment in the Industry showed a continued decline from December, 1929, to March, 1933, the decrease amounting to 60 per cent. Factory payrolls and man-hours showed a more rapid rate of decline than employment during this period. In March, 1933, payrolls were 78 per cent below December, 1929, and man-hours 77 per cent lower. With the advent of the codes of fair competition an improvement was shown in the conditions of labor. In September, 1933, the following increases were shown from the previous March: employment, 48 per cent; payrolls, 69 per cent; man-hours, 74 per cent. In September, 1934, increases over September, 1933, were shown as follows: employment, 12 per cent; payrolls, 22 per cent; man-hours, 81 per cent. The respective indexes remained relatively constant during the period September, 1934, through June, 1935. Thereafter, a sharp increase was recorded, and September, 1935, showed the following increases over the previous June: employment, 14 per cent; payrolls, 19 per cent; man-hours, 24 per cent.

AVERAGE HOURLY RATES

Beginning with the period 1932 and continuing through the first six months of 1933, the trend of average hourly rates for factory workers declined constantly; and in June, 1933, the downward movement established a low of about 50 cents per hour. This represented a decrease of about 20 per cent from the average for the year 1929, which was 59.4 cents per hour. During the latter half of 1934 the loss from 1929 was recouped, and the average hourly wage rate remained at approximately a 60-cent level until July, 1935.

AVERAGE HOURS PER WEEK

The average hours worked per week during the years 1929 and 1930 was about 49. Thereafter there was a continued decline until April, 1933. Through the months of April, May and June, 1933, a sharp increase developed, the latter month establishing a new level of about 38½ hours. During 1934 and the first six months of 1935 there was a definite tendency to establish the average hours worked per week at about 35.

AVERAGE WEEKLY WAGES

Weekly wages averaged $29 during 1929 and the first six months of 1930. Thereafter followed a downward movement with a low level in August, 1932. During that month average weekly wages were about $17. This decline was not regained. During the year 1933 and the first quarter of 1934 the general level was about $19.50 per week. For the last six months of 1934 the average was approximately $20.50 and during the first six months of 1935 about $22.

EFFECTS OF THE CODE

It appears, therefore, that under the administration of the Code of Fair Competition the decline in average hourly wage rates from 1929 was

regained. Average hours per week were established at approximately 35, which was well below the 1929 level of 49 hours. The operation of these two factors established a new weekly wage level of approximately $20.50; but this was about 30 per cent below the 1929 figure. This shows that if the average weekly wages of 1929 were to have been maintained under the maximum hour limitation of the Code, an average hourly rate about 38 per cent above that of 1929 would have been required. It has been shown that following July, 1935, increases in employment, payrolls and man-hours were recorded.

EFFECTS OF THE SCHECHTER DECISION

Data covering average hours per week and average hourly rates show that in September, 1935, the average hourly rate declined about 4 per cent from the previous June. Average hours per week in September, 1935, were about 9 per cent in excess of those for the previous June. Although the average hourly rate in September, 1935, showed a decline from June of the same year, the average weekly wage, as a result of the increase in the weekly hours of work, showed an increase of about 4 per cent for the period.

EFFECT OF TECHNOLOGICAL CHANGES ON FACTORY EMPLOYMENT

The degree to which automatic machinery has replaced man-hours of manual labor is indicated in the case of the electric lamp assembly plants. It must be borne in mind, however, that the technological changes that have taken place in the Electric Lamp Industry, and that have resulted in a decided economy of labor, are not representative of the Industry as a whole or of the majority of its products. According to a study made by the United States Department of Labor of the productivity of labor and of the time required per unit output in electric lamp assembly plants for the period from 1920 to 1931, 362,000,000 electric lamps were made in the United States in 1920. The number fell off sharply in 1921, then increased to 644,000,000 lamps in 1929, and thereafter declined to approximately 503,000,000 lamps in 1931.

In 1920 about 59 per cent of all labor engaged in the Electric Lamp Industry was employed in assembly plants. In 1920 the average number of workers in lamp-assembly plants was 17,283, but by 1931 the number had declined to 5,817 workers.

In 1920 the average number of lamps produced per man-hour amounted to 10; in 1931, the average was 44.

Production in 1920 amounted to 362,000,000 lamps, requiring 17,283 employees working 36,145,000 man-hours. This volume would have required in 1931 8,236,150 man-hours and employing, based on the average hours 1920-1931, 3,912 workers. The decline, assuming equal production in both years, amounts to 77 per cent, due to the change in the output of units per man-hour.

Due to the increase in production in 1931 over 1920, which amounted to 141,210,000 lamps, approximately 6,695 additional workers would have been needed in the later year on the basis of the production per lamp per man-hour in 1920. But, due to the change in the production rate the addition actually amounted to only 1,525 workers.

CODE PROBLEMS RELATING TO LABOR PROVISIONS

The Code of Fair Competition for the Electrical Manufacturing Industry established a basic 36-hour week as contrasted, with a basic 40 hour week in most codes for manufacturing industries. The discrepancy was a source of irritation to members of the Industry, particularly in cases where an employer's manufacturing establishments were subject to multiple code coverage.

The minimum wage provision of the Code for the Electrical Manufacturing Industry contained the "July 15, 1929" clause. N.R.A. records show that the result was most unsatisfactory.

The provisions of the Code made a distinction between employees engaged in processing operations and in labor directly incident thereto, and all other factory employees. Satisfactory definition of the two classes, however, were never arrived at.

DISTRIBUTION

Because of the diversification of the products of the Electrical Manufacturing Industry, and because of the range in the size of its units, there are variations in the channels of distribution utilized. The method of distribution may be influenced by any or all of the following factors: (1) the physical nature of the product, (2) the price of the product, (3) the size of the producing plant, (4) the financial strength of the producer, (5) the completeness of the line manufactured in a given plant, (6) the nature of the market, (7) the type of consumption - producers goods or consumers goods - and (8) the marketing machinery which the Industry has developed for a given product.

According to the Department of Commerce publication "Distribution of Sales of Manufacturing Plants" for 1929, the factory sales of this Industry were distributed as follows: (1) to industrial consumers, 38.6 per cent; (2) to wholesalers, 31.4 per cent; (3) to manufacturers' own wholesale branches, 20.8 per cent; (4) to retailers, 5.9 per cent; (5) to manufacturers' own retail branches, 3.0 per cent; (6) to household consumers, 0.3 per cent.

While manufacturing operations are concentrated in eight states, which accounted for approximately 90 per cent of the total value of production in 1929, the Census of Wholesale Distribution shows that these same eight states accounted for approximately 62 per cent of the value of sales by wholesalers.

OPERATING COSTS FOR WHOLESALE ESTABLISHMENTS

An analysis of data published by the United States Department of Commerce which covers the wholesale distribution of electrical products, indicates that the operating expenses of independent wholesale merchants were considerably above the operating expenses of manufacturers' wholesale branches. For both classes of establishments the data show a decline in operating expenses as the dollar volume of annual sales has increased.

FOREIGN TRADE

The foreign trade in electrical products reached a peak in 1929, when the combined value of exports and imports was $124,000,000. The low point of the post-war period occurred in 1932, when the combined value was approximately $44,000,000. In 1934 the foreign trade in electrical products amounted to about $74,000,000, which was an increase of 65 per cent over 1933 and of 69 per cent over 1932. The trade balance of our foreign commerce in electrical products is favorable, exports being approximately 95 per cent of the annual total.

In 1929 exports of electrical products accounted for about 5 per cent of the total value of manufactured exports. In this field the United States was the leading exporting country in 1934. These exports enjoy world-wide distribution.

Two outstanding items of export are (1) mechanical refrigerators and parts and (2) radios and parts. These two items accounted for about 32 per cent of the total value of electrical exports in 1934. The principal electrical product imported is the incandescent lamp. In 1934 this item accounted for 46 per cent of the total value of imports.

There is no indication that the Code for the Electrical Manufacturing Industry had any effect on its foreign trade.

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FERTILIZER INDUSTRY

Preliminary Summary of Findings

The Farmer the Sole Consumer of Fertilizer

The peculiar problems as well as the importance of the Fertilizer Industry are attributable to the fact that it has only one customer--the farmer. Fertilizers are used to replenish or supply plant food deficiencies in the soil, so as to improve the yield and quality of crops. The farmer's demand is highly seasonal and relatively inelastic in response to price, depending primarily on his own income in the preceding year and to a lesser extent on his credit facilities. The Industry's problems are rendered more acute because so large a proportion of the fertilizer is used on a few crops like cotton which consumes 30%, and tobacco.

Only one-third of the farmers of the United States use fertilizer, since not all soils need additional plant food and some lack the water without which fertilizer is ineffective. Fertilizer is mainly used along the Atlantic Seaboard and in the Old South, where the soil has been depleted by the system of cropping. Fertilizer is a heavy material with low specific value; and high freight rates have caused the concentration of a large percentage of the plants in the main consuming areas.

Statistics of the Industry's Importance

In the last fiscal year some 6,300,000 tons of fertilizer were sold, with an estimated retail value of $158,500,000. The Industry, in 1933, the last Census year, employed an average of 13,063 wage earners, with an annual payroll of $7,274,000. For the ten Census periods since 1909 the averages have been 18,969 wage earners and $14,846,000 annual payroll. The peak was in 1919, with 26,296 wage earners and a payroll volume of $25,363,132.

The heaviest demand for fertilizer comes in the planting season, and a large percentage of shipments are concentrated in a few Spring months. The seasonal peak has been growing more acute over a period of years. In 1919 the minimum monthly employment was 54.9 per cent of the maximum; and this has steadily declined until at the last Census of 1933 it was only 32.8 per cent. The peak of employment occurs in March or April and the minimum employment is usually in June.

Types of Plants

The Industry as defined by the Code comprised several different types of plants, each of which had different problems. The smaller firms purchase all their materials and merely mix them. In numbers these constitute about 600 of the 800 odd plants engaged in the business. Approximately 200 plants are engaged in the manufacture of superphosphate, one of the constituent raw materials in most fertilizers. About 100 of these plants manufacture the sulphuric acid necessary for their production. These superphosphate and acid plants require a relatively

large capital investment, and the acid plants are run continuously all year.

Productive Capacity

The farmer does not anticipate his fertilizer requirements by advance purchases, because of lack of money, inadequate storage space or fear of deterioration of the product. This increases the seasonality of production for the manufacturer, since he does not wish to carry heavy inventory and to speculate in the raw materials that constitute over 60 per cent of his cost. Thus the dry mixing plants usually have a capacity which will take care of the peak demand. Statements regarding the excess productive capacity of these plants and of the Industry, therefore, should be subject to careful scrutiny.

For firms which manufacture superphosphate productive capacity is largely a matter of sufficient capital and storage space, since sulphuric acid can be purchased in the open market.

Principal Price Factors not Controlled by Code

The predominant factors in the price of fertilizer were not controlled by the Fertilizer Industry Code. In 1934 raw materials represented 62.3 per cent of the total cost of the manufacture of mixed fertilizer, and bags or containers represent an additional 7.5 per cent. The drop in fertilizer prices over a period of years has been due not so much to improvements in production or distribution as to variations in the prices of these raw materials, resulting from their increased world output.

The leading nations have sought to obtain national self-suffiency with reference to fertilizer materials, not only because of their war time value for increasing crops with a smaller amount of labor, but also because the nitrogen materials are the basis of explosives and of chemical warfare. The United States, while formerly dependent upon foreign countries for potash and for a large percentage of its nitrogen needs, could today in an emergency supply the entire requirements of the Fertilizer Industry with domestic production. This is due in large measure to the development of the processes for the fixation of atmospheric nitrogen and to the discovery of great potash deposits in New Mexico. We still import large tonnages of fertilizer materials, however, and their prices are set in world markets, since there is no import duty.

Interstate Aspects of the Fertilizer Industry

The distribution of fertilizer materials furnishes an excellent illustration of interstate commerce. The sources of these materials are highly concentrated geographically. Potash is either imported or comes from New Mexico or California. Phosphate rock comes primarily from Florida and to a lesser extent from Tennessee, and is made into superphosphate by using sulphuric acid, the sulphur content of which is largely imported pyrites or is derived from the Texas or Louisiana deposits. These materials are distributed to fertilizer manufacturers, and through them in the form either of mixed fertilizers or without mixing, to farmer consumers in practically every state of the Union.

INDUSTRY PROBLEMS PRIOR TO THE N.R.A.

Impact of the Depression

Competition for the farmers' fertilizer business is always keen; but in years following a decline in agricultural income each producer of mixed fertilizer has been tempted to utilize every method of competition in the effort to maintain his volume of business. This has produced a state of competition from which so-called unfair trade practices resulted.

Unfair Trade Practices

Many of these practices had to do with methods of price cutting, of which the most serious was perhaps the guaranteeing of prices against decline, not only as to a seller's own prices, but also as to those of competing producers. This was especially serious because a large percentage of fertilizer sales were made on a credit basis, due to the farmer's inability to pay until he received the proceeds of the crop on which the fertilizer was used. The farmer's settlement at the end of the season was based upon the lowest price at which any producer had offered him that particular grade during the preceding season. Variations in quality were often ignored, and the sale of a very small tonnage at a low price late in the season, by some producer who had not been able to move his inventory, caused heavy losses to the Industry as a whole.

In many instances retroactive settlements were made on cash sales, if at the end of the season prices had declined below those which a particular farmer had had to pay. Competition often resulted in the unwise extension of credit to the farmer, and large Industry losses resulted. Price cutting by rebates and trucking allowances, or by offering a multiplicity of grades which deviated only slightly from the standard, were also extensively utilized as price cutting vehicles.

Industry's Code Experience Prior to N.R.A.

The Industry had had three or four so-called codes of fair trade practices prior to N.R.A. The last of these codes had been approved by the Federal Trade Commission in 1929 and had been abandoned in 1932, because of the demoralized condition of the Industry. Due to the drop in the farmer's purchasing power the sales of fertilizer were only 4,400,000 tons in 1932, as contrasted with 8,200,000 tons in 1930; and the resulting scramble for business led to wholesale violation of the code.

Labor Conditions Prior to N.R.A.

Up to the time of the N.R.A. the Industry had never given any consideration to raising the level of competition as regards labor standards. Measured by any standard wages were low, and working hours were abnormally long. Employees in many plants worked as long as 84 hours per week, with 50 hours the average in the busiest month of 1933. Some Southern plants paid as low as four or five cents an hour for common labor. The average wage from January to June, 1933, in the United States was 21 cents per hour, with common labor in dry mixing departments receiving an average of 16.9 cents.

In 1933, with fertilizer selling at a price below the cost of production, the tonnage increased only about 400,000 tons, thus illustrating the inelasticity of the farmer's demand. The corporate income tax returns made to the Treasury Department show losses in excess of profits of $10,757,377 in 1931, $8,057,105 in 1932, and $2,474,256 in 1933.

THE FERTILIZER INDUSTRY CODE

The N.R.A. Fertilizer Code contained provisions designed to raise the level of competition both as regards labor standards and as to the methods of doing business.

Labor Provisions

Labor, which represented only from five to eight per cent of the total cost of manufacturing mixed fertilizer, was not a serious cost factor. The Industry, therefore, readily adopted labor standards which, while not high compared with those of some other industries, nevertheless represented a marked advance over the abnormally low ones that had prevailed prior to the Code. Workers were limited to a minimum of 40 hours per week, with certain exceptions; and the minimum rates of wages were fixed at 25 cents per hour in the South, 35 cents in the North and Middle West, and 40 cents on the Pacific Coast.

Trade Practice Provisions

As a base from which to measure price cutting, the Industry had a clause prohibiting sales below cost except to meet competition. The most important provision of all, however, required the filing of open prices, with a ten-day waiting period before a revised schedule became effective.

Code Authority

The Code Authority was a body appointed by The National Fertilizer Association, a trade association judged by the N.R.A. to be truly representative of the Industry. The Code Authority and many of those to whom they delegated authority were men experienced in administering this Industry's previous codes of fair trade practices, as practices, as approved by the Federal Trade Commission.

Code Compliance

An excellent compliance record was achieved by the Code Authority, which handled 1334 cases of trade practice complaints and 90 cases of alleged violations of the labor provisions of the Code. Fewer than 20 of the trade practice complaints were referred to the N.R.A.

Code Never Reopened for Amendment

Several provisions which it would have been desirable in the public interest to include in the Fertilizer Code, to bring it into line with N.R.A. policies developed after the original approval, were never incorporated, even though the Industry would not have objected to them.

The difficulty lay in the fear of the Industry that a reopening of the Code might deprive the Industry of privileges already embodied in it, such as the ten-day waiting period on open price filing which was considered to be essential for successful operation.

RESULTS ACHIEVED UNDER THE CODE

The Code Contributed to the Industry Stability

The Code was successful from the viewpoint of the Industry and contributed to its stability. Another factor which contributed to the improved Industry position was the sharp upturn in the farmer's purchasing power that developed during the Code period. Other important factors were the removal of legal restrictions that had been hindering the cooperative efforts of the Industry; the fact that the Code was well adapted to the Industry's needs, as a result of previous experienced with similar instruments; the trained personnel with knowledge of the Industry and with experience in administering codes; and the location of the executive offices of the trade association and of the Code Authority in Washington, where they could closely cooperate with N.R.A.

Limitations of Existing Statistical Data

This study has developed the fact that the existing statistical information is not adequate to determine accurately either what happened to labor, the Industry and the consumer during the period through which the Code operated, or to determine what part of any change indicated was due to the Code itself.

For determining what happened to Labor we are dependent upon the Bureau of Labor Statistics, which compiles the only continuous series of labor data. This is based on a sample for one week of each month gathered from a limited number of firms and extrapolated to obtain estimates for the entire Industry. The figures are, therefore, only as accurate as the sample is representative of the Industry, as a whole. The results indicated are that the Code did definitely help labor.

Labor's Position Improved During the Code

Under the Code, the first Spring or busy season of the year, when contrasted with the same period for the previous year showed an increase in hourly rates of 41.5 per cent. Weekly earnings increased 6.1%. The maximum hour provisions of the Code spread employment by 50 per cent, and purchasing power was increased by a 62 per cent gain in the Industry's payroll. In citing these effects on labor it is recognized that the rise of 13.6 per cent in the Industry's production tonnage between 1933 and 1934 caused by the increase in the farmer's income, and that the demand for fertilizer contributed to the labor gains.

During the second year of code operation production made a further increase of 13.8 per cent. This is reflected in the comparative spring labor statistics, which show an increase in total man hours of 6.6 per cent. This did not result in spreading employment further, as the average man hours per week increased 3.2 per cent and the number employed decreased 3.5 per cent, while average hourly wage rates decreased 3 per cent. The individual worker's weekly pay envelope decreased four-tenths of one per cent.

The Industry's Improved Financial Position During the Code

The Industry improved its financial position during the code period. Cost studies by The National Fertilizer Association indicate that the manufacturer received 34 per cent more for representative grades of fertilizer in 1934 than he had received in 1933. Of this gain in price 53.6 per cent represented increased revenue to the manufacturer. The financial statistics of income of the Industry from the Treasury Department for the code period are not yet available Current financial reports indicate that the Industry has come back remarkably during the two years of code operation, and has turned pre-code losses into profits. Figures for three of the largest companies show this trend:

Net Profits Before Interest and Dividends
(Fiscal Year ended June 30)

	Virginia-Carolina Chemical Corporation	International Agricultural Corporation	American Agricultural Chemical Co.
1935	$1,277,578	$562,787	$1,427,604
1934	492,377	684,317	977,119
1933	762,828*	705,119*	408,128*
1932	783,509*	419,242*	1,189,461*
1931	369,606*	509,174	215,616*

*Loss

Consumer Position During Codal Period

The above described stabilization of the Industry with increased profits and an improved position for Labor, was apparently effect without increasing the prices of fertilizer to the farmer (as indicated by the available statistics) any more than the increase in prices in general, and only to a fraction of the increase in the prices received by the farmer for the things which he sells.

The inadequacy of statistics for determining exactly what happened to the prices of fertilizer to the farmer during the period for which the Code operated is primarily due to the lack of accurate information as to what was really paid for fertilizer in pre-code years, because of price cutting and rebating that were then common practices. Such figures as are available were obtained by the Bureau of Agricultural Economics from a questionnaire sent to dealers. They represent the prices that the latter say they customarily charged farmers for particular grades of fertilizer. No actual canvass of retail sales prices is available.

The index thus obtained indicates that in March of 1934 and 1935 prices were only 14 and 15 per cent, respectively, above the comparative period of the pre-code year 1933. In that year, according to The National Fertilizer Association's cost survey, sales prices were below the cost of manufacture. This survey was undertaken at the request of N.R.A., so that farmers or their representatives who complained of prices might have the facts on cost of production. Considering that some 50,000 agents and dealers are engaged in the distribution of

fertilizer to 2,250,000 farmers, comparatively few complaints of the prices charged were made during the period of Code operation.

POST CODE CONDITIONS IN THE INDUSTRY

The Fertilizer Industry has not had a busy season since the Schechter decision, which came at the period of minimum demand for fertilizer. Nevertheless, in anticipation of the intensive selling season which will begin in January, 1936, the Industry has exerted every effort to consolidate the gains which it made under the N.R.A., and to prevent the recurrence of the chaotic conditions that have prevailed periodically.

Appeals were made to preserve Code standards; and the Industry was one of the first to cooperate with the Government in submitting a Voluntary Code, containing both fair trade practice and labor provisions.

Evidence presented at the hearings and at the Annual Southern Convention in November, 1935, indicates that some companies are deviating sharply from code practice, and that they have so lowered labor standards that their labor cost per ton has been cut in half.

The Industry is one in which some advantages accrue to both large scale and small scale producers. With a large number of firms ever ready to upset the price structure, it seems as though history were about to repeat itself. Previous codes have worked fairly well during the first year, but no so effectively in the second year; and then, as the volume of business has declined, the law of the jungle has again prevailed. Special legislation may yet be needed to save the Industry.

USEFULNESS OF THE FERTILIZER INDUSTRY STUDY

The N.R.A. experience with the Code for the Fertilizer Industry demonstrated that such industrial legislation is practicable under certain conditions. This Industry was sufficiently well organized and experienced to know its own problems, and which code provisions would help to solve them. It had available personnel experienced in administering codes, so that the administrative work was handled with a minimum of Governmental assistance. This Code contributed to the stabilization of the Industry, the spread of employment and the increase of wages, and the placing of the Industry on a profitable basis with a relatively moderate increase in prices to the consumer.

THE FISHERY INDUSTRY

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FISHERY INDUSTRY

Preliminary Summary of Findings

The Industry and The Codes. The Fishery Industry was taken, for the purpose of the present study, as including not only the primary producing industry, or the fisheries in the ordinary sense, but also the wholesale trades handling fish and shellfish and the industries engaged in processing fishery products.

The original plan was to have a single master code for the Industry as thus defined, with supplementary codes for a considerable list of subdivisions. This plan, however, was objected to in some quarters. Ultimately, the Canned Salmon Industry was given an independent code, and several other canning groups were placed under the Canning Code.

Production of the Industry. The gross volume of sales of the Fishery Industry amounted to about $500,000,000 in 1929, to about $250,000,000 in 1933, and to about $325,000,000 in 1934.

From 1929 to 1933 the value of the fishery catch as landed fell off by about 51 percent, and the quantity by about 19 percent. The latter decline was substantial for a class of staple foodstuffs, but the greater part of the heavy drop in dollar volume was due to the fall in the unit price. The latter averaged about 35 percent, from 1929 to 1933, for the whole catch, but in the case of a majority of the most important species of food fish it ran from 40 to 60 percent.

This heavy deflation did serious damage to the finances of a very large proportion of the enterprises composing the industry.

Prices of Fishery Products. Fluctuations in the prices of fishery products are closely tied up with the movement of the prices of meat. The competitive relationship of the two classes of protein foods in unfavorable to the Fishery Industry when price movements are adverse. The per capita demand for fishery products in the United States is much below that of most other advanced countries, and is lower now than it was 50 years ago. The development of this demand is one great problem of the industry.

In their original form fish and shellfish are highly perishable, and the cost of shipping them increases rapidly with the distance. There has been an improvement in the methods of making such shipments in the last 15 years; but the further development of these facilities constitutes another major problem.

The writing of the master code for the Fishery Industry, usually referred to as the National Fishery Code was much delayed while all the codes for food-producing industries were in the jurisdiction of the Agricultural Adjustment Administration.

The Code Structure. The plan of putting the whole industry under a master code as a first step had important advantages; but the details of the set-up sdopted involved serious errors of judgment. The National Fisheries Association, which was empowered to select the National Code

Authority, was not sufficiently representative for the purpose. The Code Authority actually established did not properly represent large parts of the industry. It was consequently unpopular in many quarters.

The Code Authority was entirely dependent for its income on 25 percent of an assessment of one-tenth of one percent of the preceding year's sales, which was to be collected by the Executive Committees established to administer the Code in the various subdivisions. The assessment was moderate, but under the circumstances difficult to collect. The National Code Authority, moreover, adopted in the beginning a too grandiose program of spending; and when this had to be cut down its prestige suffered.

There was much delay in establishing the subordinate Executive Committees and in writing supplementary codes. This was dueprimarily to the large size and arbitrary character of the code areas insisted on by the N.R.A., and to the effect of the promulgation of Office Memorandum 228, which greatly restricted the types of trade practice provisions for the control of prices which the Administration was prepared to approve. Supplementary codes were put into effect for all the important processing industries, but not for several of the regional preparing and wholesaling trades. The standard procedure in code-writing was peculiarly ill-fitted to the special conditions of the fishing industry proper; and only one supplementary code -- for the Atlantic Mackerel Fishery -- was approved for any part of the latter.

Administration of the Codes. The conditions governing the administration of Fishery Codes were very difficult. There had been little previous organization in the industry. The number of members was large and the average size of the units was small. As a result the psychology of the members was individualistic. They were not accustomed to paying dues for common purposes; and most of them, at the time the codes were approved, were in very low financial water. The artificially large areas to which many of the supplementary codes applied, moreover, brough up problems of internal competition and jealousies. The collection of assessments was very difficult. Only two or three of the Fishery Code bodies ever took in as much as 25 percent of their estimated income. Both funds and staff were throughout inadequate.

The Compliance Situation. Under these adverseconditions the code bodies began with conscientious efforts to obtain compliance. Their habits of though, however, led them to regard the enforcement of the codes as mainly a responsibility of the Government. When the latter proved unready to shoulder this responsibility, the code bodies, generally speaking, threw up their hands with respect to compliance.

In contrast with this general situation a few of the fishery codes, chiefly among those for the processing industries, were administered with relative efficiency.

Personnel of the Industry. In 1929 the Fishery Industry had a total personnel of from 200,000 to 210,000. Of these 120,000 to 125,000 were engaged in the fisheries proper. Of the latter, 60 percent were small entrepreneurs, and most of the remainder were employees only in a qualified sense. Three quarters of all fishermen worked on a share basis, and only 20 percent on wages. The cecline in the number of fishermen

from 1929 to 1933 was unimportant.

In the processing and wholesaling divisions the falling-off in employment was greater, but still moderate in comparison with most other industries.

Hours of Labor and their Restriction. Unusual conditions made it seem impracticable to apply the standard program for spreading employment by restricting hours of labor to the fishing industry proper, or to the Canned Salmon Industry. The two together had 68 percent of the total personnel.

In the remainder of the industry, with 32 percent of the personnel, the fluctuations in working hours were so complex and extreme as to make restriction very difficult. These industries, moreover, were disposed to look upon the effort to spread employment in their particular case as academic and superfluous. It consequently proved difficult to agree on maximum hours. Those adopted were only moderately satisfactory, and the spread of employment that they produced did not amount to very much.

Earnings and Minimum Wages. Share fishermen, with about 45 percent of the total personnel of the industry, were excepted from the benefits of the minimum wage program. This was probably a defect in the Code, though the practical problem of giving this exceptional class the benefit of a guarantee of minimum earnings was admittedly difficult.

As a result of the deflation in the prices of fish and shellfish after 1929, the average earnings of share fishermen in 1933 had fallen off 57 percent and were only about $640 per man forthe year. The subsequent price recovery, however, raised this average from 1933 to 1934 by 51 percent. This extreme fluctuation appears abnormal and demoralizing. The earnings of wage fishermen did not fall off so much, but even lower in 1933.

With striking exceptions in a very few cases, wages in other branches of the Fishery Industry adopted were at least tolerable, and in most instances very fair. These industries, moreover, were generally in sympathy with the minimum wage program, and rates at least up to the general code standard were agreed upon without much difficulty.

The contract labor system in salmon canneries in Alaska was abolished, and a substantial increase in wages obtained for the workers concerned. There was a peculiarly difficult problem in the case of oyster shuckers and crab-meat pickers in the Chesapeake Bay area, which was not solved.

The Fishery Code bodies were not in a position to do much to enforce the labor provisions. The evidence is, however, that they were fairly well complied with without much systematic effort at enforcement.

Trade Practice Provisions of the Codes. The sponsors of the Fishery Codes were primarily interested in trade practice provisions designed to maintain or regulate prices. Some of them desired such provisions in crude and drastic forms which the Administration could not approve.

The Atlantic Mackerel Fishing Code contained a provision for the control of the catch. This was in operation through the fishing season of 1934; but during the latter half of this period the quota was so high that the control amounted to little. Prior to the raising of the quota to this level the control had proved fairly workable. It is probable, however, that because of the close tie-up between fish and meat prices the control of the production of single species of fish can not do much to raise prices to really remunerative levels.

Price-filing provisions worked fairly well in the fishery processing codes, but less so in the wholesaling codes. Provisions prohibiting sales below individual cost amounted to little, since a uniform cost system to implement a provision of the kind was approved in one case only. Similarly, no use was made in practice of provisions permitting the establishment of minimum prices in emergencies.

The sponsors of the codes attached importance to a variety of provisions regulating consignment shipments, limiting credit terms and allowances on claims by customers, and prohibiting the diversion of brokerage to the latter. The conditions governing the enforcement of these provisions were too adverse to permit any of them to produce much result.

Effects of the Codes and Needs of the Future. The basic potential advantage which the code system promised for the Fishing Industry lay in the fact that it provided for the first time a framework of industrial organization. As things turned out, the hope that such an organization would develop effectively was not realized. In time, however, the codes should have encouraged the habit of organization, and should have educated the members of the industry in grappling with their problems in common. The need of so doing still exists.

Research work on the Fishery Industry is in a very backward state, and there is a crying need for additional facilities to carry it on.

HEADWEAR INDUSTRIES

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HEADWEAR INDUSTRIES

Preliminary Summary of Findings

Divisions of the Industry

The Headwear Industries are divided into three principal branches, millinery manufacturing, men's hat manufacturing, and cap and cloth hat manufacturing. Each of these principal branches may be further subdivided, according to type of product, method of production, and method of distribution.

The millinery branch is composed of four segments, namely, private or home millinery, custom millinery, factory millinery, and millinery produced on knitting machines. These four segments represent in a remarkable manner the complete story of the evolution of an industry from its earliest beginning to the highest stage of mass production. The men's hat branch is composed of three segments, - in the order of their importance, fur-felt, straw, and wool felt. The cap and cloth hat branch of the Headwear Industries, in its turn, is composed of a number of segments, chief among which are golf caps and shop caps.

While each of these three main branches produces a distinctive product, and while each presents a variety of conditions and problems peculiar to itself, all of them have much in common and may for practical purposes be considered a single industry, the Headwear Industry.

Importance of the Industry

The importance of the Headwear Industry may be better appreciated when it is realized that it accounts for the production of practically 100 per cent of all headwear, of whatsoever type, form, or style, used by the 120,000,000 men, women, and children of the United States. The only headwear not produced by this industry is the comparatively insignificant quantity imported from other countries or produced by related approved industries.

In 1929 this Industry produced products to the value of approximately $361,000,000, not including the production of the home, custom, and knitted segments of the millinery branch, for which no data is available. Conservatively, however, the value of products for these latter industries would be at least $75,000,000, thus making an approximate grand total of $436,000,000. Subsequent references to the "millinery branch" in this summary will concern the factory segment only.

Of this total, the millinery branch accounted for $196,000,000, the men's hat branch for $130,000,000, and the cap and cloth hat branch for $35,000,000. During the same year employment was given to 32,206 workers in the millinery branch, 21,947 in the men's hat branch, and 5,826 in the cap and cloth hat branch or to a total of 59,979. Total wages paid in 1929, for all branches, amounted to approximately $78,000,000.

Because of the nature of the product the manufacture of most types of headwear is essentially a manual process. This is particularly true of the manufacture of millinery, somewhat less true of caps and cloth hats, and least true of men's hats, although even in the latter instance a great amount of purely hard labor is required. The principal mechanical equipment used consists of the sewing machine and various types of blocking machines. The principal types of raw materials used are various fabrics, hatters' fur, wool fibres (for the making of wool felt), straw and various types of trimmings. The total value of raw materials used in 1929 amounted to approximately $150,000,000, of which about one-third was imported from abroad.

Types of Establishments

The Headwear Industry consists of a large number of small establishments scattered throughout the country. In 1929 there were 1,293 establishments in the millinery branch, employing an average of 25 workers each; 223 establishments in the men's hat branch, employing an average of 98 workers each; and 740 establishments in the cap and cloth hat branch, employing an average of 8 workers each.

Millinery is produced in 26 different states, but 63.2 per cent of the total in 1934, was produced in New York State. The States of New York, Illinois, New Jersey, Missouri, Massachusetts, and California account together for 90 per cent of all domestic production. In the case of men's hats, production is carried on in 23 different States, although in 1929 39.2 per cent of all felt hats were produced in Connecticut and 21.4 per cent in New York State; and 43.6 per cent of all straw hats were produced in New York State and 20.3 in Missouri. In 1929 40.5 per cent of the output of the cap and cloth hat branch was produced in New York State, although 26 States contribute to the total output.

The products of the Headwear Industry, however, are consumed in every State, roughly in proportion to population. On this basis, for instance, New York State would consume only 10.2 per cent of all millinery produced there. The same condition holds true, to a varying extent, for all other branches of the industry.

As a general rule all markets ship throughout the country. This is especially true of the larger markets, but even the smallest, as far as can be determined, ship beyond the confines of their own states. Local markets are competed for by manufacturers throughout the country as well as by those in the same state, and there is a multitude of evidence to indicate that depressed labor conditions in one market seriously interfere with the free flow of interstate commerce.

Distribution of Millinery

The products of the Headwear Industry are marketed by various methods. Some manufacturers distribute entirely through jobbers some to retailers as well as to jobbers, and others almost exclusively to retailers. An indeterminate though considerable quantity is sold to mail order houses. A substantial portion of the output of the millinery branch is distributed directly to the ultimate consumer as custom millinery.

Many of the difficulties of all branches of this Industry are directly attributable to what amounts to a revolution in distributive technique. This revolution has been manifested by a decline in jobbing in all branches and by an increase in direct selling. For one thing, many establishments formerly engaged wholly in jobbing have now turned to the manufacture of headwear on their own account. This development has been particularly marked in the Middle West. What is more important, particularly in the men's hat and the cap and cloth hat branches is that a very considerable portion of the total output is absorbed by chain stores, who often contract for a manufacturer's entire production. In the case of the millinery branch the rise of syndicate buying has been particularly significant, to such an extent, in fact, as almost to eliminate the millinery jobber.

These changes in distributive technique have all taken place during the last few years, and are still in process. The Headwear Industry has not as yet been able to adjust itself thereto, and until such an adjustment is made a considerable degree of instability must be expected to continue, irrespective of the stability the Industry may be able to achieve in other directions.

Prices

The price structure of all branches of the Headwear Industry is national. Notwithstanding the diversity of its product, price is the determining factor in competition, because of the ease with which any type or style may be reproduced by practically every other manufacturer.

A reduction in the price of an item of headwear in one state affects all other states. Because labor constitutes such an important element of total cost, any reduction in wages is immediately reflected in price, and conversely, reductions in price to meet competition from other states tends strongly to depress wages in the state attempting so to adjust itself. Reductions in price in one state (whether based upon a wage reduction or other factor) are attended by an increase in the amount shipped from that state, with a corresponding decrease in the productions and sales of other states.

The cap and cloth hat branch offers a striking example of this condition. In 1919 49.5 per cent of all caps produced in this country were manufactured in New York. In 1933 this figure had fallen to 27.7 per cent. This shift in production is attributable almost entirely to the lower prices offered by manufacturers in other states, notably in the Middle West, and such lower prices were largely predicated upon depressed labor conditions. A similar, though less marked, shift has taken place in all other branches of the Headwear Industry, and for the same reason.

The Headwear Industry has declined continuously for a number of years. This decline has been especially marked in the millinery branch, though it has been serious in the other branches also. As against a total of 127,906 gainfully employed millinery workers in 1910, this branch gave employment to only 22,370 workers in 1933. In 1927 this branch distributed $46,788,000 in wages, and in 1933, $20,313,000. Over the same span of time the value of millinery products fell from $209,494,828 to $77,347,000. In the men's hat branch, employment fell from 21,272 in 1927 to 17,318 and in 1933. During the same period, total payrolls declined from $29,277,000 to $15,215,000, and the value of the products from $129,709,000 to $54,916,000.

The decline in the cap and cloth hat branch between 1927 and 1933 was especially drastic, the value of the products falling from $41,213,-965 to $12,658,888. A corresponding decline was registered in employment and earnings.

From the foregoing it is apparent that, between 1927 and 1933, over the Headwear Industry as a whole, employment fell off by almost one-third, payrolls by more than one-half, and the value of the product by more than 62 per cent.

The drastic degree of industrial deterioration indicated by these figures is due primarily to a style trend. In the case of millinery, the simpler styled hats which have prevailed since 1925 require much less material and labor and are sold at a substantially lower figure. The decline in earnings, employment, and value of product in this instance has not been accompanied, as far as can be determined, by a decline in number of units sold. In the case of both hats and caps, however, there has also been a serious decline in unit volume, due in the first place to the "hatless" fad and in the second to a style trend which has relegated the wearing of caps to a few strictly limited fields - as for golf and shop wear. These inherent trends were greatly exaggerated by the general economic depression.

The steady decline in demand brought about intense competitive activity in the available markets. The diminution of demand was attended by a downward spiral of price. Since labor cost in these industries amounts to about one-third of the total cost of the finished product and is the one flexible element of cost, each price cut was absorbed to a large extent by a corresponding cut in wages. Such wage reductions, however, were neither universal nor uniform.

During the period under review approximately one-third of the entire Industry was in collective agreement with a labor union. For this portion of the industry wage reductions were difficult and in many cases impossible. The only possible alternative for such manufacturers was migration to non-union areas or sales below the actual cost of production. When the first alternative was followed, labor in one market was left stranded, while the result of the second in many instances was bankruptcy. Markets which maintained a high labor standard were rapidly being forced out of business in favor of low standard markets.

In all states except New York, Illinois, California, Massachusetts, and New Jersey in the millinery branch, wages were cut below subsistance levels. In the State of Texas, for instance, the average annual wage was only $534 in 1933, as against $1,098 in New York. The average annual wage in Georgia for the same year was only $574. It is estimated that about 7 per cent of all millinery workers in that year received less than 30 cents per hour. Most of such workers were located outside New York City. The sub-standard states resulted in a diversion from the higher labor standard states of much of their normal business.

Members of the Industry, in an endeavor to ward off bankruptcy and continue in operation, were compelled to employ unfair and uneconomic business practices. Although prices had reached abnormally low levels, secret rebates disguised as advertising allowances or in other ways became common. The desire for business and the need for ready cash, coupled

with the precarious financial status of many members, brought about the allowance of exorbitant cash discounts. The downward spiral in prices was so rapid, and these and other similar practices were so widespread, that it became impossible for members of the Industry to know at any given time the actual prices at which headwear was being sold by their competitors, thus further demoralizing an already harassed market.

The three codes formulated for the three main branches of the Headwear Industries sought to deal with these problems on a broad front. These three were as follows: Millinery, Hat Manufacturing, and Cap and Cloth Hat. The Millinery Code was designed to cover only that part designated above as "factory millinery". Private or home millinery was not, of course, covered by any code; custom millinery was covered by the Retail Custom Millinery Code; and the manufacture of millinery on knitting machines was covered by the Knitted Outerwear Code.

Each of the three codes here studied sought to inprove conditions by stabilizing the largest and most flexible item of cost - labor. For this purpose, however, a simple basic minimum wage was inadequate. Consequently, in each case, a definite provision was made with respect to wages above the minimu.

In the case of the Millinery Code this was done by the establishment of a detailed schedule of occupational minima. The same object was achieved in the Hat Code by the experiment in minimum average wages, and in the Cap and Cloth Hat Code by fixing a single minimum, higher than the basic minimum, for skilled labor. In this respect the first two codes were remarkable for their success; the third was remarkable for its failure. This failure is directly attributable to a poorly devised differential in the skilled minimum, a differential which served in fact to emphasize the condition it was designed to correct.

The experience of the several branches of the Headwear Industry, under these three types of regulation of wages above the minimum, is extremely enlightening. Each presents a remarkably good type case, and in any future legislation the mistakes here made and the results here achieved might well be taken into account. In addition to establishing minimum wages these code fixed maximum hours of labor (35 in the case of the Millinery Code, and 40 in each of the other codes), prescribed other conditions of employment, and prohibitied certain of the most injurious of the unfair trade practices.

In the Millinery branch, where the establishment of a simple minimum only would have been wholly inadequate, the occupational minima established in the Millinery Code not only stabilized the important element of labor cost but very greatly increased wages. Largely as a result of this provision average hourly wages in this branch increased from 41.2 cents in 1933 to 54.1 cents in 1934. As a result of higher occupational minima which were adopted in the form of an amendment in the latter part of 1934, average hourly rates for the first six months of 1935 advanced to 63.0 cents, a figure no less than 71.2 per cent in excess of that for the corresponding period of 1933.

At the same time average weekly wages for 1934 advanced 30.8 per cent above the average for 1933, and the average for the first six months of 1935 was 38.4 per cent above the average for the first six months of 1933.

These remarkable increases were accompanied by a decrease of 20 per cent in the average hours worked and a 5.7 per cent increase in employment. All of these results are primarily attributable to the influence of the millinery code.

Wage increases under the minimum average wage provision of the Hat Code, while not so remarkable, were substantial. A special study of wages in a representative group of fur-felt factories comprising 72 per cent of the total employment in the industry showed average hourly earnings to be 69.4 cents in May, 1934. This was an increase of 25.5 per cent over the average earnings of the same group immediately prior to the Industry's acceptance of the President's Reemployment Agreement.

Wage increases in certain localities outside the main centers of production have been considerably larger than in the industry as a whole. A group of fur-felt manufacturers, employing about 1,200 workers and located geographically on the outskirts of the Industry, reported average earnings of 58.3 cents per hour in May, 1934, an increase of 69.5 per cent over the average of 34.4 cents paid by this same group prior to the Code.

These disproportionate increases were necessary to accomplish the stabilization of labor costs. The reduction in working hours which, prior to the code, ranged from 44 to 54 hours per week and as high as 60 hours during peak production periods, resulted in the absorbtion of practically all the unemployed in this branch of the Headwear Industry. This reemployment was brought about in spite of the fact that the rate of production in terms of physical units of output was about 12 per cent less in 1934 than in 1929. Thus, in the face of a declining demand, the Industry was able not only to reemploy its unemployed workers, but to reestablish their weekly earnings, even with shorter hours of work, on a level nearly as high as that prevailing in 1929.

Because of the extraordinary degree of economic control inherent in the establishment of occupational minima, it was necessary, in the case of the Millinery Code, that great care be taken to prevent such control from working an undue hardship on particular markets and members of the industry. The safeguards here adopted were (a) carefully devised area differentials; (b) "tolerance" (by which no more than a specified percentage of the workers in each craft were required to be paid the craft minimum); (c) a liberal provision for "show workers"; (d) adequate provision for apprentices; and (e) a special administrative body whose duty it was to consider and pass upon allegations of undue hardship and applications for relief.

Of all the safeguards adopted this latter was by far the most important. Occupational classifications in the Millinery Code would have broken down completely had it not been for the existence of the Special Millinery Board. The very volume of applications filed would have swamped and clogged the office of the Deputy, had he not been able to refer them automatically to the Special Board.

This agency, moreover, because of its specialized function, was able to devote ample time and attention to the consideration of each case. This time and attention could never have been given by the deputy's office. The use of the Special Millinery Board, therefore, made possible a greater degree of justice than would otherwise have been possible.

The fundamental issue in the Millinery--Knitted Outerwear Controversy was a conflict between two opposing theories of industry classification. The definition of the industry contained in the Millinery Code was based upon product, whereas that contained in the Knitted Outerwear Code was based upon process. The controversy arose out of the fact that the product of the Millinery Code was also manufactured by the process of the Knitted Outerwear Code. This controversy was never settled during the life of the Codes, notwithstanding months of hearings and conferences. In any future legislation, however, the problem will have to be squarely faced. Probably the only solution will be in the direction of a common labor standard for all, or at least for the principal branches, of the apparel group.

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IRON AND STEEL INDUSTRY

Preliminary Summary of Findings

Technical Changes

Very significant changes are taking place which will affect equipment, the character of the product and labor requirements. Larger blast furnace capacity, new continuous rolling mills and the increasing production of new alloy steels are cases in point. The classification and utilization of scrap in relation to the future demand for iron ore, fuel economies as related to the growth of by-product coke production, shifts in demand as between railroads and motor vehicles, are all factors which may affect industry location, the character of the product and the position of producing companies.

Industry Organization

The iron and steel industry is characterized by the dominant position of a number of large integrated companies. The United States Steel Corporation, as the largest unit, has frequently acted as a price leader. A growth in the relative position of other large companies is indicated by a review of the history of mergers and consolidations, company interrelations and the analysis of financial trends.

Price Control

The price pattern of the industry is dominated by large scale production units. Similar organization in other industries creates similar problems. Competition between large units tends to produce one of two extremes, either disastrous price wars or price agreements or leadership. In considering pricing methods it is essential to consider whether they are a natural result of such an industry pattern or a contributing cause to it. The long term trend of prices has been downward since 1920. For the majority of products monthly price variations are common. The degree of variation is necessarily limited for standard products in which raw material, transportation and high overhead charges are large cost elements. Under any pricing system there would be a trend toward stabilization and uniformity of prices. Uneconomic location and excessive cross hauling may be as much characteristic of unlimited free competition as of an artificial basing point system of pricing.

Labor Relations

The outstanding factors in labor relations were the opposition of the members of the industry to the spread of Industry unions, the reluctance to accept minimum wage rates which corresponded to current practice and the desire to avoid acceptance of specific hour limitations. In spite of this attitude, however, the very material gain in earnings and employment under the code was an important achievement.

A review of the history of employer-employee relations reveals that practically all of the major conflicts - notably the "Homestead Strike" in 1892 and the general strike of 1919 - were the result of employer antagonism to labor organizations, and their refusal to recognize or deal with employee-chosen representatives. It is apparent that the non-recognition policy of the United States Steel Corporation, as applied to its

own subsidiary companies, has influenced the policies of independent companies as well.

Between the passage of the Recovery Act and the adoption of the Code practically all of the larger units of the Industry established company unions or employee representation plans, or as they were called in some cases employee representatives. An analysis of these various plans and devices shows that they are in no sense designed to accomplish bona fide collective bargaining between employer and employees, but rather that they have been used as a means of avoiding or combating the development of employee unions.

During the World War the wages and income of the steel workers rose materially. Following the general strike of 1919 the United States Steel Corporation put into effect a ten per cent increase in the wages of common labor and made some corresponding adjustments in skilled rates. Some of the independents followed this lead with increases. Just subsequent to the passage of the National Industrial Recovery Act and prior to the adoption of the code there was put into effect generally in the Industry an increase of approximately 15 per cent; and further increases were made during the code period. Generally speaking, however, throughout the history of the Industry, while rates for the higher skilled occupations have been fairly in line with those paid to comparable labor in other industries, the wage rates for semi-skilled and unskilled labor, particularly the latter, have been low.

The reduced rate of production during the Code period furnished no real test of the effectiveness of the provisions limiting hours of work. It is not yet apparent how far the hour provisions under the Code will result in any permanent change.

Post-Code Situation

Reasonably adequate statistics submitted by the Industry through September, 1935, indicate that the wage and hour standards set up in the Code period have been generally maintained.

New Quarterly prices had been filed just before the suspension of the Code at the end of May 1935, and apparently continued to be observed during the quarter ending with August. No new prices were filed thereafter; but price announcements indicate a substantial general upward trend during the last quarter of 1935, with probable further increases early in 1936.

The Secretary of the American Iron and Steel Institute was recently quoted by the Associated Press as saying that steel makers felt recovery "would be hampered rather than helped by any further legislation designed to regiment business enterprise." This attitude apparently reflects the Industry's opposition to labor agreements, particularly when no definite program of compensating trade practices seems feasible.

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THE KNITTING INDUSTRIES

PRELIMINARY SUMMARY OF FINDINGS

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INTRODUCTION AND HISTORY OF THE INDUSTRY'S DEVELOPMENT.

The Knit Goods Industry is one of the major industries of the United States. It consists of three main divisions - Hosiery, Underwear and Allied Products, and Knitted Outerwear.

Although evidence exists of the invention of knitting at a very early date, it is definitely known to have been very popular around the time of Columbus. The knitting machine invented by William Lee in 1589, though vastly improved, has undergone no fundamental changes since that time.

PART II

THE HOSIERY INDUSTRY

Hosiery, as a manufacturing industry, ranks within the first 20 in importance in the United States. In 1929 it had an estimated capital investment of $600,000,000, produced $528,700,000 worth of goods, and employed 129,500 workers at an annual payroll of $140,079,000. The Industry, clearly of interstate character, is extremely decentralized, it consists predominately of small units highly concentrated in Pennsylvania, North Carolina and Tennessee. It is an important user of textile fibres, consuming over one-fourth of the United States' consumption of cotton and silk and 15 per cent of the rayon.

The pre-code problems of the Hosiery Industry were similar to those of the Textile Industries with idle equipment, very large inventories and price demoralization, complicated by economic movements developing within the Industry. It also suffered much from economic pressure from its customers.

Employment in the Industry during the depression had declined to the 1923 level, and was irregular because of increasing seasonal demand. Wages had been drastically cut, in many cases to unsocial levels.

Results Achieved Under The Code. The Code was of inestimable benefit to labor, in abolishing child labor, in decreasing working hours 27 per cent, in increasing employment to within 5 per cent of the 1929 level, and in checking the trend toward unsocial wages by increasing the average hourly wage rate 42 per cent, and increasing weekly earnings 18 per cent.

Production control provisions, though given much thought, amended and widely advocated by the Trade Association, have been largely inefectual except, perhaps, in smoothing out seasonal peaks. Moreover, they apparently discriminated between certain groups in the Industry.

Price control, without unqualified governmental approval, was attempted but not effective. In 1932 prices had declined to less than one half of 1929 values; but they were partially improved as a result of higher labor costs under the Code.

The Trade Association Code Authority tie-up, apparently did not make for the true representation of small and non-Association units. After criticism by the Darrow Board partially corrective steps were taken. The Code Authority was marked by an active and efficient administration. Its statistical activities are of inestimable value. The prosperity of the Industry appears to tie up ultimately with general prosperity and with style trends.

Indications are that post-code labor conditions in the Industry are little changed from those of the Code period, in spite of the union charges of considerable chiseling. Additional data on this phase is desirable. Stocks on hand are apparently increasing slightly. Strikes have lately occurred in the finishing branch of the Industry.

PART III

KNIT UNDERWEAR AND ALLIED PRODUCTS INDUSTRY

The Underwear and Allied Products Industry consists of approximately 531 firms. Most of these are small or medium sized, and are located in milltowns of less than 100,000 population. The firms of the Industry are distributed in the following localities: 10 per cent in New England, 62 per cent in the Middle Atlantic States, 16 per cent in the West, and 12 per cent in the South.

Approximately 400 members of the Industry are members of the trade association, the Underwear Institute. It is estimated that the association members produce 80 per cent of the volume and value of the Industry's products.

During the pre-code period 1929-1933 the annual production of knit underwear was approximately 20,000,000 dozens, valued at $100,000,000 During the same period the value of the allied products was $55,000,000 annually. The Code Authority estimated the 1934 value of underwear and allied products to be $115,000,000 and $45,000,000 respectively. No post-code figures are available on the values of sales.

During the years 1929-1933 the total number of employees of the industry dropped from 41,000 in 1929 to a low of 31,000 in 1931. Although not strictly comparable, the estimates of the Code Authority indicate the industry employed 50,000 workers during 1934.

The average wage per week per employee during the pre-code years 1929-1933 was $12 for an average week of 40 hours. During the code period the average was $13.00 for a week of 33 hours.

The labor cost of the Underwear and Allied Products Industry represents 20 per cent of the total costs of the manufactured products.

The cost of materials of the Underwear and Allied Products Industry during the pre-code period approximated $100,000,000 annually, or 50 per cent of the total costs of the manufactured products. No figures are available for the code or post-code period.

Major ills of the Industry during the pre-code period were unemployment, long hours, low wages, child labor, homework, price cutting, overproduction, and idle machinery. After the code was approved, unemployment decreased, total working hours per employee were shortened; wages increased, child labor and homework were abolished, prices were stabilized, and overproduction and idle machinery were reduced.

The greatest difficulties encountered by the N.R.A. and the Code Authority during the administration of the code were controversies between the circular knit group and the other branches of the industry; overlapping problems of classification; and inability to secure compliance, due to the failure of the use of labels.

The controversies caused by the circular knit group of the industry were due to the code provision limiting the hours of production of knitting machines. This controversy continued throughout the entire code period and was not settled at the time of the Supreme Court decision.

The definition of the Industry contained in the code was not clear, and resulted in problems relating to the classification of products between the Underwear and Allied Products Industry and the following industries: Cotton Garment, Cotton Textile, Infants' and Children's Wearm Undergarment and Negligee, and Knitted Outerwear. No definite or satisfactory action was ever taken in order to eliminate these difficulties.

Administration of the Code. The lack of compliance by members of the Industry was due to the inability of the Code Authority to enforce the code provisions and also to the attitude of indifference on its part and on that of the N.R.A.

The Code Authority was financed by a budget based on a sliding scale similar; to the basis of the assessments levied on the members of the trade association. This was contrary to later Administration policies and should have been corrected. The use of labels by members of the Industry was not mandatory.

PART IV

THE KNITTED OUTERWEAR INDUSTRY

The Knitted Outerwear Industry, a recent outgrowth of the Underwear and Hosiery Industries, manufactures knitted apparel such as sweaters, dresses and suits, infants' wear and bathing suits. Its growth was accelerated by the World War, the development of new yarns and the adaptability of the fabric to sports wear. The Industry is largely composed of small units highly concentrated 60 per cent in the New York Metropolitan area. About 40 per cent of the members of the Industry belong to its principal trade association, the National Knitted Outerwear Association, which has assumed the right to speak for the Industry. Unionization,

confined to the New York area, is small, as only 17 per cent of the employees belong to the union.

In 1923, the Industry's peak year, according to the Census of Manufactures, the value of production amounted to $197,158,000 necessitating the employment of 41,500 wage earners. By 1933, the value of production had declined to $92,547,000 and the employment to 26,908. Figures supplied by the Knitted Outerwear Code Authority show production in 1934 as $106,831,600 and employment as 38,700.

The Code benefitted labor by increasing employment, raising wages and shortening the work week, as appears from the following comparison:

Year	Employment Index (1929=100)	Average Hours per Week	Average Hourly Wage Rate	Average Weekly Earnings
1933	92.7	39	35.6	$14.08
1934	97.7	35	44.4	$15.65

Child labor is not a great problem in the Industry, except possibly in the homework production field, which cannot be investigated.

Despite the publicity given the matter, imports appear not to be a problem of the Industry. The value of imports since 1927 has not exceeded 2.1 of domestic production.

In 1929 51.5 per cent of the Industry's total sales value represented direct sales to wholesalers, 40.1 per cent represented direct sales to retailers, 4.3 per cent represented sales through manufacturers own wholesale and retail branches, and 4.1 per cent represented direct sales to consumers, both industrial and household.

Efforts to regulate trade practices were made by cooperation with the Federal Trade Commission before N.R.A, by N.R.A Code, and by voluntary trade codes after N.R.A. More data is needed to determine the extent of evils from the trade practices. The greatest problem at present seems to be that of returned goods.

Style is an important factor in the Industry's growth and prosperity. Style piracy, although not made an object of regulation during N.R.A., appears to exist at least to the extent of annoying design creators.

Evils in the relationship between the Industry's contractors and contract-employers, which were curbed during N.R.A. in the Infants and Childrens Wear branch, appear to exist at the present.

The homework problem, which was of great concern to members of the industry during N.R.A, can not be analyzed until data collected by the Code Authority are made available. Figures supplied by homework-employers registered with the Code Authority show about 18,000 homeworkers scattered throughout 31 states.

Code Administration. The method of election of the Code Authority as approved for this Industry was not satisfactory, was subject to much criticism and did not result in a truly representative selection. Internal politics and the management of a few individuals resulted in control of the Code Authority elections. The Code Authority, in arriving at its decisions on exemptions, was motivated more by the general Industry effects of their decisions than by the actual needs of the individual, thus in part defeating the purpose of a truly representative Code Administration and causing much internal friction. The compliance activities of the Code Authority were none too well handled. This is indicated by the relatively few inspections made, the small amount of restitution collected, and the fact that compliance hearings in all instances were handled by members of Industry who were competitors of the persons charged with violations. The Code Authority likewise failed in its compliance activities in that it did not give any representation on wage and hour enforcement provisions to labor representatives.

The method of financing this Code is subject to the criticism that the cost of collecting funds bore too great a proportion to the gross proceeds. Thus we find that during part of the operation of the Code the cost of labels sold represented more than one-third of the gross proceeds; and when we add the cost of the staff who took care of the label department it appears that nearly 50 per cent of all funds received by the Code Authority were paid out as a means of obtaining revenue.

The National Recovery Administration treated all matters submitted by this Code Authority expeditiously. However, the Administration was hampered to a great extent by the refusal of the Code Authority to cooperate with the established Administrative Policy.

Complaints were registered against the Code Authority by members of the Industry; and statements made by a representative of one of the Divisions show strong resentment against the methods of administration.

The pre-code conditions in this Industry were at at a very low ebb, and regulations of some sort were necessary. Statements show that the Industry made substantial gains both for members and for their employees.

When the suspension of all Code activity seemed probable the Industry was strong in its demands for continuance. After the Supreme Court decision it attempted with great enthusiasm to formulate trade codes similar to the N.R.A. Code, but met with failure in obtaining a sufficient majority of signed pledges for support. This failure was not attributed to the lack of need, but to inertia among individual members and to the physical make-up of the industry. In view of the failure to formulate a voluntary trade code, the Industry's spokesmen have turned from talk of code continuation to talk of association support.

The Industry submitted no voluntary code to the Federal Trade Commission in 1935, because there then existed their voluntary agreement promulgated in 1931

Lack of data prevents the portrayal of post-code business and labor conditions.

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LEATHER AND SHOE INDUSTRIES

Preliminary Summary of Findings

THE LEATHER TANNING INDUSTRY

The interstate character of the Industry is established by freight movement and by the channels of distribution.

The volume of production declined approximately 25 per cent during the depression. Production indices on quantity basis were as follows:

1929	1933	1934	1935 (1st quarter)
100.0	86.4	92.9	100.1

The production on value basis was:

1929	1933	1934 (Estimate)
$481,340,299	$237,202,228	$278,000,000

The trend of distribution continued away from wholesalers to direct consumer sales. The depression accentuated this trend.

Consumption was maintained suprisingly well throughout the depression, this illustrating the stability in demand for footwear.

The principal effect of the Code was in the field of employment, hours and wages. Average employment was as follows:

1933	1934	1935 (1st quarter)
44,500	49,690	51,212

This represents an increase of employment under the Code of 15 per cent. Employment indices were as follows:

1929	1932	1933	1934	1935 (10 months)
100.0	75.7	88.5	99.4	102.8

Total payrolls were as follows:

1933	1934	1935 (Estimated on basis of 1st quarter)
$45,658,000	$54,596,000	$62,785,000

This indicates an increase in total payrolls of 37.5 per cent in 1935 as compared with 1933.

This index of payrolls is as follows:

1929	1930	1931	1932	1933	1934	1935 (9 nos.)
100.0	89.4	78.1	58.5	67.9	83.9	96.4

Average hourly wages in the Tanning Industry (in cents) were as follows:

1929	1930	1931	1932	1933	1934	1935 (8 mos.)
50.5	50.3	48.5	42.7	43.8	53.6	56.3

While labor benefited directly from the increase in employment and average hourly wages, the effect of this increased cost of labor on leather prices was negligible until recently. Other factors, such as depression of hide prices by reason of the heavy cattle slaughter because of the drought, kept leather prices at a low level. Consumer pressure for cheaply priced shoes also aided materially.

The effect of the Code on trade practices was not extensive. Besides the usual standard trade practices the Code contained:

1. Trade terms - finally amended to maximum terms of 2% - 30 days; 1% - 60 days; net thereafter at 6% interest.

2. Design Piracy was covered in Article XIII of the Code, but was found inadequate in practice. A new Article XIII was framed and was about to be approved when the Code lapsed.

3. A Uniform Sales Contract was adopted after much delay and misunderstanding.

The Tanners' Council of America, the national organization of the Industry is an efficient and strongly representative association.

Compliance was excellent. During the life of the Code 336 cases of alleged non-compliance were handled. During the first nine months of the Code the General Planning Committee handled compliance cases efficiently.

The cost to the Industry for code administration was as follows:

1933 (last 6 mos.)	1934	1935 (to June 16)
$20,824	$57,308	$26,007

On the basis of value of production the cost to the Industry represented 0.02 per cent.

THE BOOT AND SHOE MANUFACTURING INDUSTRY (Other Than Rubber)

The manufacture of boots and shoes (other than rubber) is not only one of the oldest and most important consumers' goods industries, but also one of the most important in the country. According to unpublished Census of Manufactures data it ranked fifth in number of wage earners, fourteenth in cost of materials, and fifteenth in value of products during 1933. The Industry's processes are almost completely mechanized, its machinery and equipment are highly specialized and efficient, and its productive capacity is not excessive in view of peak and seasonal requirements. Its labor is of the better class. Eighty to 85 per cent of the wage earners are piece

workers, about 45 per cent are women, and around 35 per cent are members of one or more of the 10 unions. The outstanding national trade association represents nearly 50 per cent of the Industry's establishments and approximately 85 per cent of its wage earners and its production, while the other dozen or so are local, regional, or special-interest groups.

The Industry consists of a large but steadily decreasing number of units, as a result of the abandonment of unprofitable plants or of consolidations. About one-third of these are comparatively small and are scattered over 29 states, but approximately 90 per cent of the output emanates from 9 states. Demand for its products and consequently annual production (since the present practice has been to manufacture largely against orders) is relatively stable. Competition is sharp, distribution policies and methods are sound and economical, with a definite trend toward more direct manufacturer distribution, and the average profit is small in relation to volume of business and to capital invested. Practically all members of the Industry are engaged in interstate commerce, from purchasing materials and leasing machinery to marketing their products. Incidentally the chief distinguishing characteristic of the Industry is probably that the bulk of its machinery and equipment is rented on a lease-royalty basis, with charges varying in direct relation to output, and at a lower cost to manufacturers than would otherwise be possible. The United States' international trade in leather footwear is comparatively insignificant and is on the decline.

Although both gross and net income decreased as a result of lower prices, shoe manufacturers as a whole did not suffer as greatly during the recent depression as most other industries, because lower costs of materials and increased operating efficiency partially offset the trend toward reduced profits. Despite the lower purchasing power of the people the production of all leather boots and shoes remained at a high level; but the demand naturally turned to the cheaper grades, with the result of smaller profits. Since efficient management has reduced manufacturing costs, the attention of the Industry has been focussed on distribution costs and on seasonal variations in production, which arise largely from style requirements.

Results Achieved Under The Code. Findings with particular reference to the Industry's performance during the depression and under the Code (effective October 13, 1933) may be summarized briefly as follows:

Employment. The average monthly number of wage earners increased 6.8 per cent from the pre-code 12 months to 199,800 in the corresponding period of 1933-34; then declined 1.3 per cent to 197,300 in the same months of 1934-35. The average for the calendar year 1929 was 205,600; for 1932 it was 179,000.

Payrolls. The average weekly payroll advanced 25.3 per cent from the pre-code 12 months to $3,256,000 in the corresponding period of 1933-34; then decreased 4.3 per cent to $3,115,000 in the same months of 1934-35. The average for the calendar year 1929 was $4,277,000; for 1932 it was $2,616,000.

Man-Hours. The average weekly man-hours decreased 7.6 per cent from the above-specified period of 1932-33 to 7,276,000 in 1933-34, with a further decline of 7.9 per cent to 6,740,000 in 1934-35. The average for 1929 was 9,128,000; for 1932 it was 7,365,000.

Average Hours Per Week. These declined 13.6 per cent from the 1932-33 period to 36.3 hours in 1933-34, with an additional reduction of 5.8 per cent to 34.2 hours in 1934-35. The average for 1929 was 44.3; for 1932 it was 41.0.

Average Hourly Wage. This increased 38.8 per cent from 1932-33 to 47.9 cents in 1933-34, and another 6.7 per cent to 51.1 cents in 1934-35. The average for 1929 was 49.3; for 1932 it was 34.1.

Average Weekly Wage. This increased 19.4 per cent from 1932-33 to $17.36 in 1933-34, but then slid off 0.3 per cent to $17.31 in 1934-35. The average for 1929 was $21.63; for 1932 it was $14.94.

Production. This increased 2.2 per cent from the calendar year 1933 to 357,119,411 pairs in 1934, and during the first 10 months of 1935 it was 3.5 per cent above the same period of 1934. The total for 1929 was 371,207,607 pairs; for 1932 it was 313,289,854. The value of products was $965,922,694 in 1929; $653,879,746 in 1931; and $553,425,166 in 1933.

Failures and Liabilities. The number advanced from 38 in 1933 to 43 in 1934, but the amount involved declined from $1,987,109 to $1,298,174. In the first nine months of 1935 there were 38 failures, with liabilities of $1,211,825; in 1929, 31 failures with liabilities of $1,384,429; in 1932, 63 failures, with liabilities of $9,157,250.

Code Administration. Sincere efforts seem to have been made by the National Boot and Shoe Manufacturers Association to have a truly representative Code Authority (Planning and Fair Practice Committee), and by the Authority to administer the code provisions fairly. It was, however, never specifically authorized to handle labor complaints.

Compliance. Considerable evidence of non-compliance exists, particularly with respect to minimum wages and maximum hours. There were comparatively few complaints of trade practice violations.

Trade Practices. Code provisions were limited in scope, and most of them were ambiguous and lacked "teeth". None covered price fixing or price filing. As a whole they seem to have had a moderately beneficial effect.

Cost of Code Administration. The assessment of the Industry's members was one of the lowest -- three-hundredths of one per cent of gross sales. The approved budget for first year under the Code was $126,000 for an Industry with current annual sales near the $600,000,000 mark. The total collections were $93,122, whereas cash disbursements aggregated $70,525. Subsequently a budget of $63,000 for eight months was approved.

LUMBER AND TIMBER PRODUCTS INDUSTRY

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LUMBER AND TIMBER PRODUCTS INDUSTRY

SUMMARY OF FINDINGS

TIMBER OWNERSHIP

There are in this country 494,898,000 acres of commercial forest land, containing approximately 1,667,803 million feet of saw timber capable of commercial use. Fifty-two per cent of this is owned by commercial producing companies. The balance is owned by Federal, State or County Governments, with a small portion (approximately seven per cent) in individual farm ownership.

Of this vast amount of standing saw timber, 62 per cent is concentrated in the three Pacific Coast states, although only 13 per cent of the commercial forest area is located in these states. The 11 Southern states, which contain 40 per cent of the commercial forest area, have a fraction less than 12 per cent of the saw timber stand.

This large amount of standing timber in private ownership presents a significant problem in its maintenance, particularly in view of the fact that annually there is a loss by fire, disease and other natural cuases of 1,810,899,000 cubic feet, or an amount equal to the annual commercial production for 1934.

In addition, the tax expense of private holdings of timber represents approximately 10 per cent of the amount received for the commercial production. For a long period the increased value of standing timber made up a great deal of the natural losses and the increased taxes; but with the declining prices of lumber during the depression years timber values also fell, thus making the investment in standing timber a liability instead of a fairly safe investment.

The Government, due to its large holdings of standing timber, is interested in the reduction of natural losses and in the maintenance of our natural resources, but it had no control over practices in private forests, which had brought about a denuding of the areas, as they were designed to get the most out of the existing investment without regard for the future.

During the depression the problem was further accentuated by the pressure to get rid of the liability of standing timber, by converting it into lumber as a means of getting cash. This pressure toward liquidation has been considered as a chief cause of the demoralization of the market. Actually, however, it interfered with understandings that looked toward production control, and prevented the reduction of productive activity to a level nearer the demand for lumber. It can therefore be said to have accentuated the market demoralization rather than to have been its cause.

Under the Code the first advanced steps were taken looking toward a long-time program for the continued maintenance of the private forests as a natural resource, by providing forestry practice rules that would prevent destructive logging and encourage sustained yield.

NUMBER AND CAPACITY OF MILLS

As might be inferred from the foregoing, there has developed a considerably greater capacity for lumber production than can ever be used. This is brought about by the fact that the exploitation of new timber areas and the consequent cutting out does not always leave a completely denuded area. As a matter of fact the cutting out process continues until the remaining timber, because of its size and sparseness, is not economical for large operations. It therefore follows that the older a producing area gets, the smaller and the more intermittent the mill operations.

Therefore, although there were 20,781 mills registered in 1934, with an estimated capacity of 70 billion feet per annum, only 6,734 mills reported to the Census Bureau as having done in 1933 more than $5,000 in business. Although more than one-third of the total production comes from Washington and Oregon, these two states together have less than 1,000 mills. On the other hand an old producing state such as Georgia, for example, has 1,418 mills, but is eighth in production, and Mississippi, with 1,978 mills, is fourth.

The factors of excess mills, and particularly a large number of small mills with more or less primitive practices, little or no accounting, and an inferior knowledge of the markets, all serve to produce an industry incapable of regulating itself intelligently according to the needs of its market.

PRODUCTION AND SHIPMENTS

Lumber is used in three principal markets. The first and largest is that of construction; the second is that for wood products such as furniture parts, automobile parts, etc.; and the third that of wooden packages. Normally construction and construction products take between 65 and 70 per cent of the lumber produced; industrial uses require 18 to 25 per cent; and the remainder goes for boxes and wooden packages.

There has been a continuous downward trend in the per capita consumption of lumber, and also a downward trend in the total consumption.

The highest point of production was in 1905 and 1906, when approximately 40 billion feet were produced. In 1928 the output was about 38 billion feet. During the depression the low point in 1932 was slightly in excess of 10 billion feet. Production from 1930 to 1934 at no time exceeded 13 billion feet. However, since so great a part of this product goes into construction, and since construction dropped in the depression years to approximately one-eighth of its level in the boom period, there was a slight upward trend in the amount used for construction in relation to the total amount of the latter. It may be seen from the foregoing that one of the principal problems during the depression was the enormous overproduction, which kept the price demoralized. This is further seen by the stocks on hand, which amounted to about two-thirds of the inventory during the construction boom.

CAPITAL AND CREDIT

The capital assets of this industry, according to the Bureau of In-

ternal Revenue, which cover only corporations, dropped from $4,000,000,-000 in 1926 to $2,549,000,000 at the end of 1933. This excludes the drop in assets of the smaller operators, who are as a rule unincorporated.

The turnover of the industry based on inventory at the end of the year, slowed down from four times a year, in 1926, to two and one-half times in 1932. Collections moreover calculated from the elapsed time from invoice to payment, increased from 75 days in 1926 to 150 days in 1932. Thus not only was the market demoralized through prices and excessive stocks, with the pressure of liquidation of standing timber, but the financial position of the industry was also very precarious, and it was in a poor credit position.

COSTS AND REALIZATION

The costs of production have varying bases for calculation. There is a tendency in this industry to set a valuation on standing timber that fluctuates with the price of lumber, although this relation is not constant. However, taking the basis of the ten-year average of sales as reported by the Forest Service, we find that the cost of west coast Douglas fir lumber was approximately $18.51 per thousand during the Code period, with the average wage between 50 and 60 cents. Small mills produced lumber at approximately $2 per thousand cheaper. In the Southern pine area, with the average stumpage value $3 per thousand greater than on the west coast, calculated on the same basis, the cost of production for large mills was $24 per thousand, but only $20 per thousand for the small mills.

Labor on the west coast represented 27-1/2 per cent of the total cost; while in the Southern pine area with the wage rate approximately 50 per cent lower, logging and mill labor represented 30-1/2 per cent. All this difference was probably due to the size and density of the standing timber.

LABOR

In 1929 the industry had 419,084 employees in the six thousand and some odd mills doing a business of more than $5,000. Of these approximately 39 per cent was employed in logging. In 1932 the Census reported a total of 155,100 employees, which rose to 190,300 in 1933. The average for the year 1934, which was the first full year of Code operation was 226,200 employees.

The average for wages from 1926 to 1929 in the South was 21.7 cents per hour, but in 1932 it had dropped to 11.6 cents. In the Northwest the average minimum had dropped from 50 cents in 1929 to 23 cents in 1932. In the South 40 per cent of all labor was being paid the minimum, while in the Northwest the proportion was 25 per cent. The Code provisions increased the minimum from 11.6 to 24 cents per hour in the South, and to 42.5 cents in the Northwest. However, weekly earnings were not increased in proportion, due to the fact that production control reduced the average number of hours per week to approximately one-half of what they were in 1929.

CHANNELS OF DISTRIBUTION

In the early years of the Industry the principal channel of distribution was the retailer, who made all sales in his local territory, with a large volume of local sales at the mill. As the years went on local sales continued to be made at the mills, although these represented a much smaller portion of the total than formerly. However, as competition between species became more severe, the channels of distribution became more complicated.

The second step in theprocess of distribution was the wholesaler, with well-placed distributing yards at convenient points to serve retail dealers. As this factor in distribution became established, there arose competition between such wholesalers and the mills selling direct to the retailer. As this competition became more severe, the wholesaler, seeking a greater return, entered into competition with the retailer for sales to large contractors -- principally in carload lots and greater. In time the sawmills themselves entered into the competition for this lucrative business. Hence competition became keen not only amongst rerailers, but between retailer and wholesaler and mill for the contractor's business, and between wholesaler and mill for the retailer's business.

With all of these factors entering into the situation, the depression brought about a severe collapse in prices. There are numerous indications that the pressure to liquidate stocks depressed the market -- far beyond the average of other building material prices. The drop in construction volume itself, however, was sufficient to brign prices to a level below cost.

THE CODE

The problems confronting the industry at the time of the N.R.A. were those of:

(1) Providing employment for approximately 300,000 unemployed members of the industry.

(2) Raising the price level to a point where wages could be paid to these employees.

(3) Readjustment of stocks on hand to reduce the pressure on the market.

(4) Encouraging good practices which would tend to preserve the forest resources.

Employment

As has already been stated, the limited hours per week provided for by the Code proved to be unnecessary, since the production control limited the hours of operation to a still lower level. Nevertheless, there was an increase in employment. It was claimed that the wages demanded by the Administration were beyond those that could be paid at the then existing price level, unless a fixed price were maintained.

Prices

After much discussion an agreement was reached as to a method of price fixing, and a formula arrived at. That this formula was uneconomic and incapable of fulfillment was fully proved under the Code. The formula depended mainly upon the existence of information which could be obtained only by good accounting methods. Such methods were entirely lacking except in the largest and best integrated portions of the Industry. In general, the complaints that developed during the operation of the fixed prices were that they were uneconomic, that they gave unfair advantages to some producers at the expense of others, and that the price was arbitrarily fixed at such a level as to encourage substitutes, and failed to increase the demand. As a matter of fact, as shown by the actual shipments, the latter kept declining continuously during the operation of the Code. Hence there was a failure to relieve the pressure, as expected as a result of production control. In addition, adverse court decisions so complicated the matter that there was but one course left, and that was to eliminate the price control feature entirely. This was done in December, 1934.

Production Control

Production control was considered by the Industry as its most productive effort. The pressure of stocks and the continued liquidation of standing timber had been such that only by new legislation was it possible to prevent a further continuous flooding of the market. The provisions in the Code left it to the Industry itself to fix its production control methods.

The complaints with regard to this part of the Code were that the operating time allowed was insufficient to enable operators to earn their overhead; that it encouraged new producers to enter the field with a resulting increase of 1,600 mills between August, 1933, and March, 1934; and that the rules for the allocation of operating time were controlled by the large producers, who fixed them for their own advantage and at the expense of the small mills.

However, after slightly more than a year's operation, the net effect of the control feature had been to reduce stocks to a point where in May, 1935, the Timber Conservation Board stated that a balance had been reached between shipments and stocks on hand.

Conservation

As previously stated, provisions were included in the Code which tended to encourage good forestry practices. Probably the most important thing that the Code Authority and officials could do along these lines was in the nature of educational work. At the end of the Code period, however, it was found that a greater number of operators were following good forestry practices than had ever been the case before.

A joint committee was set up to continue the plan of preserving the American forest and to carry forward the rules of forestry on a voluntary basis, even after the Code was abolished through the Schechter decision.

The problems still remaining are unemployment, private ownership of timber beyond what the industry can profitably bear, and a weak position that prevents improvements which might enable the Industry to go forward along new lines.

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   B. Special Administrator in place of Inter-Code Committee, to be appointed to survey and study re pants Industry and submit recommendations

II. Report of Special Administrator Godfrey Bloch, recommending that a 36-hour week be adopted for the Cotton Industry, that all single pants if possible be put under one Code or a division of one Code under Cotton Garment Wage provisions

III. These changes as to fabrics used failed to improve the situation. It was impossible to enforce two different wage scales on garments of similar type in the same plant

Chapter VI. Amendment to Cotton Garment Code (August 21, 1934)

I. Code Changes Approved
   A. 36-hour week adopted for Cotton Garment Industry effective as of October 1, 1934
   B. No definition changes as suggested by Deputy Bloch were included

II. Due to many protests from the Industry two stays were granted, extending the effective date of the 36-hour week provision until December 1, 1934

III. Overlapping Problem still unimproved due to this delay; Compliance not strictly enforced by Cotton Garment Code Authority; Equalization of hours and wages expected to adjust major portion of the controversy

Chapter VII. Developments after December 1, 1934

I. How Order drawn up and submitted to Industries
   A. Placing all wool and part wool pants under Men's Clothing Code
   B. All cotton pants under Cotton Garment Code
   C. Providing for a divisional Code Authority
   D. Temporary lower classified wages for cutters and off-pressers

II. Injunction suit filed by certain manufacturers against the 36-hour week further delayed any action being taken on this pants order

III. At time of Supreme Court decision another proposal, permitting Cotton Garment manufacturers to produce a small percentage of wool pants and men's clothing plants a small percentage of cotton pants if desired, was being discussed
   A. This, as a final solution of the problem, would from all indications, have been universally accepted and approved

MEN'S CLOTHING INDUSTRY

Preliminary Summary of Findings

Two fairly distinct types of manufacture are employed in the Industry. There are establishments which buy material, cut the cloth, market the finished product and finance production from raw materials to finished garments, but which often do not own and operate the plants where the garments are made. Secondly, there are establishments called "contract shops" or contractors who take cut cloth and accessories from some one who finances the business, and perform the remaining operations necessary to completing the garment on a piece price basis. The areas, not clearly defined, which employ the contract-shop method of production are sometimes referred to as the "centralized areas", as distinguished from the plants, ordinarily found in small towns and cities, which produce the entire garment and are described as the "decentralized areas." The plants in the "decentralized areas" are highly integrated and usually employ much subdivided processes of manufacture.

The Men's Clothing Industry is characterized by a high turnover of establishments. While some few large concerns have a record of operation over a period of years, a great number of small establishments enter and leave the Industry annually. This situation is not solely the result of the low rate of profits and high rate of failures and embarrassments, but is in part due to new alignments of capital and management. Although there are approximately 3,000 establishments in the Industry, a list of the 50 largest producers would range down to include firms that produce three-tenths of one per cent of the Industry volume.

As suggested in the first paragraph, various methods of controlling the manufacturing and distributing processes are employed in this Industry. Establishments range in size from a publicly-owned corporation doing a nation-wide business to a family establishment manufacturing in a small loft or home. Distribution is effected, among other ways, by manufacturer control of retail stores, through jobbers, wholesalers, retailers, direct-to-consumer, and by mail order.

The various methods of production and distribution employed in the Industry, and the variations in size and stability of individual establishments, have made for lack of standardization and inefficiency in cost keeping and pricing systems.

The principal materials used in the Industry are woolen suitings, pantings, overcoatings, etc. Both the volume and the value of these materials used slumped sharply between the years 1929 and 1931; but the 1933 volume and value was somewhat greater. The bulk of these raw materials is produced in the states of Massachusetts, Rhode Island, Connecticut and Maine. Cost of materials in relation to the value of product showed little change for the years 1929, 1931, and 1933, the ratios being 48.9, 47.8, and 50.5, respectively.

The Men's Clothing Industry has never adopted standards with respect to measurements, fibre content, shrinkage, color fastness, or proper labeling relative thereto, in such manner that manufacturers may know how raw materials will behave in process, and so that the consumer may know how an article will wear.

According to certain competent observers, one of the most striking phases of the economic development of the Men's Clothing Industry between 1923 and 1933 was the movement of the Industry out of the major manufacturing centers into small cities and country distircts. For example, wage earners in the five major manufacturing centers declined from 94,000 to 61,000 between 1923 and 1931, or about 35 per cent, whereas wage earners outside these centers declined only about 4 per cent.

Employees in the Men's Clothing Industry are about 85 per cent organized. Union membership is shared by the Amalgamated Clothing Workers of America and the United Garment Workers of America. This fact appears to have created two rather distinct groups of employers in the Industry--divided upon the wage issue.

The Men's Clothing Industry is highly seasonal. In the winter clothing is produced for summer wear, and in the summer for winter wear. As evidence of wide fluctuation in employment, during the winter season of 1934 employment ranged from 139,051 in the mid-September week to 122,898 in the mid-November week.

In 1933 the Industry was characterized by heavy unemployment and relatively low wages. The number of employees amounted to about 160,000. Since the greatest number employed in any one month of 1933 was 111,745 for February, the probable excess supply of labor was around 48,000. The wages of the clothing workers for several years prior to the Code had been affected by the general decline. Actual hours of work declined 10 per cent from 1922 to 1932, and hourly rates declined also. In 1922 the average hourly earnings were 72.8 cents and in 1932 only 50.6 cents.

Attempts under the Code to Solve Problems and Results

The well-organized rival groups within the Industry, created in the main through differences over the union question and methods of manufacture, made it impossible to establish a Code Authority entirely acceptable to the Industry and the Administration.

In considering the expense of operating the Men's Clothing Code Authority, the price at which labels were sold (the only source of income) was so low (equal to $\frac{1}{2}\phi$ per single garment, plus the cost of sewing on the label) that there was no material charge to be added to the cost of manufacturing or to the selling price of the garment.

Jurisdictional disputes early arose between the Men's Clothing Industry and other codified groups. None of these disputes were satisfactorily resolved, and in fact many became more and more acute as time went on. Even intra-codal relations became exceedingly tense. The Uniform Manufacturers Sub-division of the Code Authority did not to the end arrive at a satisfactory working arrangement with the parent Code Authority.

The principal jurisdictional dispute was with the Cotton Garment Code, because of the overlap in the matter of wash suits, work clothing and mackinaws. Differences in wage and hour standards as between the two Codes and attempts to settle the jurisdictional dispute by codal definitions based upon types of garments had the effect of accentuating the difficulty, by encouraging the trend toward the production of higher grade cotton

garments and the increased production of wool and part wool single pants in plants operating under the Cotton Garment Code. Despite changes in both Codes and the setting-up of inter-code machinery, the dispute was never settled to the satisfaction of the industries concerned or of the Administration.

The Code made provision against home work in the Industry and appears to have succeeded in eliminating it.

The Code attempted to ease price competition within the Industry by providing against selling below cost. A cost formula devised by the Code Authority did not gain Administrative approval, and was, moreover, found impractical of application in an Industry where many establishments were not acquainted with cost-keeping principles. Alleged violations of the cost provision of the Code were used by the Code Authority as a basis for investigations to gain wage and hour compliance.

The fair trade practice provisions of the Code, aside from the prohibition of sales below cost, related only to consignment selling and to the practice of "cut, make, and trim" (the jobber or wholesaler control of manufacturing processes). From the standpoint of the entire Industry these provisions were not of great consequence in terms either of dollars or of the number of people concerned. These provisions appear to have been enforced with the fairly general approval and support of the entire Industry, although some effort was made by the Code Authority to broaden and strengthen the "cut, make, and trim" provision.

The Code provided for the ultimate consideration and adoption of additional fair trade practice provisions, relating to such matters as credit terms, terms and conditions of sale and shipment, labeling, control of salesmen, etc. Provisions regarding these matters did not get further than the conference and recommendation stage, because of irresolvable conflicts of interest between organized retail and wholesale groups and the Clothing Industry. The latter was in harmony respecting most of the additional trade practice provisions.

Framers of the Code appeared to recognize from the outset that questions of wages and hours of labor were of major importance. The Code established a 36-hour week for manufacturing employees and a 40-hour week for non-manufacturing employees, and provided overtime in certain sub-divisions of the Industry. A minimum wage of 40 cents per hour was established in the Northern section, and of 37 cents in the Southern section. Likewise, provision was made for the safeguarding of differentials above the minimum.

The codal provision relating to wage differentials above the minimum was of great importance. Efforts at enforcement of this provision required the major portion of the time and money of the Code Authority. Around the interpretation and application of this provision were arrayed the conflicting groups and interests of the Industry. It became evident that the outcome of economic struggles between the high wage and low wage -the "centralized" and "decentralized" -groups in the Industry depended in a large measure upon the interpretation and enforcement of this loosely drawn provision of the Code. Increasing difficulties with

the general provision relating to differentials above the minimum finally led to a recommendation by the Code Authority that a definite system of classified wage scales be substituted. While apparently possessing administrative advantages, the proposed classified wage scales did not meet with the approval of a minority Industry group, and merely served to bring more clearly to view the basis of the economic struggle within the Industry.

Progress of the Men's Clothing Industry under the Code is statistically clear in some respects. Almost 40,000 employees went back to work for a period, and average wages which were as low as $12.68 a week in 1933 came back to around $22 in the Spring of 1935. The total weekly payroll of the Industry likewise showed a considerable increase between 1933 and 1935.

The record of profits in the Industry is not altogether clear because of the lack of complete evidence, yet it appears that the decline in capital investment, and the high mortality evident in the Industry of recent years was checked somewhat during the brief period of operation under the Code. Changed credit terms of woolen mills and higher labor costs have tended to expand investment in inventories, while retail pressure for lower prices, augmented by the lack of knowledge of costs upon the part of many manufacturers, have brought profits in the Industry to a very narrow margin.

The effect on the consumer of changes in the Industry during the Code period is not definitely known as yet. The meager evidence available, however, points to the fact that Industry gains have not been entirely at the expense of the consumer. During the Spring of 1935, while wages in the Industry were approaching the 1929 level, prices to the consumer appeared to be considerably below those prevailing in 1929.

PAPER INDUSTRY

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PAPER INDUSTRY

SUMMARY OF FINDINGS

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The manufacture of paper and paper products constitutes one of the largest industries in the United States, from the standpoint both of investment and of value of product.

The innumerable types, sizes and grades of paper manufactured result in confusion to the buyer. The steps taken toward standardization, however, have not approached a solution of the problem.

Until the latter part of the last century the principal source of raw materials was rags; today pulpwood, usually Northern evergreen, constitutes the largest source, although recently the sulphate process has permitted the use of other woods, particularly those native to the South.

The consumption of paper and paper products has increased without recession, except in periods of major depression. Productive capacity has increased steadily in the Industry as a whole, even during the period 1929 - 1932, when production was receding. In recent years, however, the increase has been the result of technological developments rather than of the establishment of new plants.

Although the consumption of newsprint in the United States has increased rapidly and steadily, production has decreased simultaneously with the increase in Canadian production, financed for the most part by United States capital. In the newsprint branch domestic productive capacity has been reduced in recent years by the shifting of machines to the manufacture of other products and by the abandoning of some mills.

Exports of newsprint and other paper are inconsiderable in relation to the United States production. A large part of the domestic product crosses state borders in the form of raw materials, semi-finished and finished goods.

PRICES

The large investment of capital required by the Industry in relation to the volume of production results in an unusually high percentage of invariables in the cost structure, which act as a drag on the frequency of price changes.

Prices of the various grades of paper tend to have a constant relationship; a change in the price of a single grade will upset this relationship and will cause a complete disruption of prices in the entire Industry

The prices of raw materials used in paper making appear to move in sympathy with the general price level; whereas the prices of paper, while moving in that manner on major swings, of which the timing is as yet undetermined, show marked idiosyncrasies on minor movements within the cycle. These appear to be part of the price pattern peculiar to this Industry.

This price pattern is believed to be the result of the same factors that cause price rigidity.

While the import situation is all important with regard to the price of newsprint, on which there is no protective tariff, it is not an important factor in the prices of grades of paper that are protected. Further, the influence of debased foreign currency in newsprint producing countries did not have an upsetting effect, because transactions were in dollars and because of the ensuing change in the valuation of United States currency.

LABOR

Available statistics indicate that employment in 1929 in the sections of the Paper Industry covered by the study was approximately as follows: Paper and Pulp, 105,000; Paperboard, 32,000; Newsprint, 9000.

The decrease in employment from 1929 to May, 1933, in these industries, was from 18 to 27 per cent.

During the period of the codes very substantial increases in employment were recorded.

There is no indication of a decrease in employment following the decision of the Supreme Court.

By May, 1933, hourly wages were approximately 25 per cent below the 1929 level.

Under the Code hourly wages increased to approximately the 1929 level. There was no appreciable increase in weekly wages, however, until December, 1934. Total payroll figures are not available.

Due to the pending appeals from denials of exemptions from the provisions of the amendment to the Paper and Pulp Code, the latter had little effect in increasing wages.

FINANCIAL ASPECTS

Although members of the Paper Industry have generally accepted standard methods of costing, the individual characteristics of each plant, its surroundings, its location, etc. make for differences in cost.

Available data show that the average cost of producing newsprint in the United States and in Canada are not widely different.

There is a wide difference in costs, nevertheless, as between the various mills.

Available data from a few mills indicates that during the period May to December, 1933, the cost of producing newsprint increased about ten per cent. The major part of the increase came in the items of wood, pulp, power, and labor.

While the Industry as a whole showed a profit of slightly over three per cent of sales over the eight year period 1926-1933, the percentage of companies not making a profit has run from thirty-one to seventy-seven.

The above indicates a vast difference in the relative profitability of individual companies.

INDUSTRIAL ADMINISTRATION AND CONTROL

Since 1878 the Paper Industry has been characterized by very active trade associations, dealing with practically all phases of industrial problems.

The Executive Authority of the American Paper and Pulp Association, the Advisory Committee of the Newsprint Association, and the Executive Committee of the National Paperboard Association were designated as the administrative agencies for their respective codes.

No budgets were approved for these industries by the N.R.A., but the expenses of the administrative agencies were borne by associations. Many activities of the administrative agencies were combined with association activities.

The Paper and Pulp, Newsprint and Paperboard Industries operated with a significantly small number of compliance cases.

On some occasions the Paper Industry Authority exercised powers beyond those provided for in the Code.

The Newsprint Code Authority, after failing to get favorable action under Section 3(e) of the Recovery Act, presented a plan of stabilization for the Industry to the N.R.A. This was not approved.

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RUBBER INDUSTRY

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RUBBER INDUSTRY

Preliminary Summary of Findings

The Rubber Industry in America includes the manufacture of products of which rubber, an import, is an important constituent. The principal products are tires, rubber footwear, and other rubber goods, such as hose, belting, heels and soles, drug sundries, flooring and hard rubber.

The Industry includes 408 establishments with 120,000 wage earners; and it represents a present capital investment of 580 million dollars, with products valued at 468 million dollars in 1933. In 1929, the establishments numbered 525, the wage earners 149,000, and the capital investment was estimated at 842 million dollars. The value of products has declined steadily from the high point of 1,269 million dollars reached in 1925.

Among the most favorable aspects of the Industry have been its record of technical progress, and the situation of labor. The Industry has shown ability to develop and produce merchandise in great volume, and of constantly improved quality. The record of technical progress in tires stands as a remarkable achievement. Hourly and annual earnings of labor have been high compared to other industry. There has been a continual reduction in hours of work, and industrial relations have been harmonious.

The problems presented by the Industry to N.R.A., in planning for industrial recovery, were its continued record of unprofitability, the mortality of small enterprises, and the concentration in fewer and larger establishments, a considerable displacement of labor due both to shrinkage of production and to technological change.

The record of unprofitability is an outstanding characteristic of the Industry. It has been due to wide flucutations in the supply and the price of the principal raw material, crude rubber, under foreign control and manipulation, the burdensome excess capacity and the futile discord and competition, evidencing itself in violent and costly price wars among continually changing channels of distribution.

The excess productive capacity in the Industry is due to considerable expansion of facilities by the larger companies between 1920 and 1929, the loss of export business and the construction of plants abroad to compete in foreign markets, and the decline in domestic consumption due to the depression, to changes of style and custom, and to the increased life of products in use.

The pressure of unprofitability, of the mortality among smaller enterprises, and of destructive price-cutting was indicated by the industry's proposals for codification. These included resale price maintenance, allocation of production, mandatory uniform accounting and cost recovery, price differentials for specified customer classifications, open price filing and direct price fixing.

The Industry had cooperated fully under P.R.A. and had voluntarily shortened hours to share the work and provide employment for more workers. In this respect, therefore, code provisions were not calculated to change existing standards greatly. Some re-employment did result, and earnings in the lower wage brackets were increased by the Codes. The chief problem was to stabilize conditions of competition so as to provide greater security for those engaged in the Industry as workers or as owners.

N. R. A.'s efforts to provide such stability included the approval of uniform minimum labor standards, and of trade practice rules requiring ordinary standards of honesty in competition, and varying methods of cost recovery, publicity of prices, and minimum sale prices in different divisions of the Industry.

Because of fluctuations in the price of raw materials, particularly crude rubber, the Industry felt strongly that mandatory cost recovery required the use of the current replacement cost of materials. Crude rubber prices were rising rapidly. Large well-financed manufacturers had bought well in advance at low prices, while small companies' resources usually permitted buying only as needed and at current prices.

This N. R. A. refused to approve, as a matter of policy. When the uniform accounting manual and cost formula was approved for the Rubber Manufacturing Industry (other than tires), N. R. A. stipulated the use of either cost or market price on materials, whichever was the lower. This did not satisfy the Industry at all. The tire manufacturing division refused to accept the stipulation and forthwith ceased any effort to secure approval of a cost control plan.

Open price filing was approved in several divisions and met with varying degrees of success as a price stabilizing device. In the rubber footwear division it was abandoned and the provision stayed by N.R.A., due to four members refusing to comply. This case was referred to the Federal Trade Commission for determination, and the ensuing delay rendered the provision undesirable to the complying members. In the heel and sole division, the industry itself requested that the provision be stayed. Because of a price war members had completely lost faith in one another, in the filing requirements and in the quality of compliance secured. In the mechanical goods division the device was applied so vigorously and effectively by the Divisional Code Authority as to result in charges of illegal combination being brought against them both by N. R. A. and before the Federal Trade Commission. In the tire division, the partial price filing provided for proved an entirely ineffective instrument for price publicity or the improvement of competitive conditions.

The experience with mandatory costing practice and cost recovery, with open price filing and customer classifications, does not indicate that they would have been effective price stabilizing instruments in the tire division, had they been put into practice there. Discord and intensity of price competition were greater in the tire division than in other divisions of the Industry, where these devices were tested. Difficulty and delay in enforcement with the machinery provided crippled their operation when the point at issue was an important one.

In the tire division of the Industry little was done toward price control among manufacturers after the disapproval of the replacement cost principle and their abandonment of efforts to secure approval of a mandatory cost formula. A separate Code for tire retailers was approved and an effort made to curb destructive price cutting under its provisions.

An emergency due to destructive price-cutting was declared to exist in the retail tire trade and minimum prices and other regulations of selling practice were imposed.

Some of the regulations were ill-advised and produced controversy and disrespect for the provisions in general. The restriction upon guarantees was stayed but the controversy over it exaggerated the importance of the question and brought on a worse condition than existed before restriction was attempted.

Minimum prices were in themselves arbitrarily arrived at, and based upon but a thin basis of fact. They did not protect the small retailer or the small manufacturer as they were meant to do. Large manufacturers and distributors immediately made the minimum price the going price. This was unprofitable to the small dealer, and with one price for all there was a marked diversion of business to the nationally advertised lines of large manufacturers. This brought complaint from small manufacturers and private brand distributors as well.

While some increases in prices of low grade tires were brought about, and prices to fleet owners and governmental agencies were somewhat increased by the fixed minimum prices, the mass of individual users bought tires as cheaply as or cheaper than before.

Lack of efficient enforcement brought a breakdown of compliance and induced unethical and evasive practices even on the part of retailers not previously given to such tactics.

The tardy effort to modify the rigidity of the program and establish differential levels to conform to former industry practice resulted in an unwieldy and unenforceable regulation and did not improve conditions.

The performance of Code Authorities as governing bodies was not encouraging. Factors which interfered with their success were competitive bias and partizanship, lack of time on the part of company executives, and in one case failure to organize properly or to secure financial support from the Industry.

On the whole, the codes failed to improve competitive conditions in the Industry. This failure was due to discord, to factional disputes and sabotage on the part of Industry itself, to inept and ill planned treatment of the outstanding need for more orderly competition on price, and to failure of enforcement in important cases.

Further problems inviting attention in the Industry include:

The probable continued displacement of labor and the decline of employment, due to technological change.

The continued mortality of efficient small enterprises who are without financial resources to continue competition at the profitless levels maintained by large concerns.

Static or shrinking demand for products, due to changes in style and custom as in footwear, or to increased life of the product in service, as in tires.

The possible development of rubber substitutes, which might render obsolete and valueless much equipment and investment, or confront the Industry with an entirely new competition.

TEXTILE INDUSTRY

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THE TEXTILE INDUSTRY

Preliminary Summary of Findings

Nature of the Industry

The Textile Industry, with over 5000 plants, over a million workers and nearly three billion dollars in annual production, with its consumption of cotton, wool and other products of agriculture, of coal, electric power, machinery and other products of industry, and supplying necessities to every family and materials to almost every business, is admittedly of fundamental importance in the national economy.

The position of the Textile Industry in recent years has been with certain exceptions unhealthy, with neither capital nor labor receiving adequate returns and, it is alleged, without equivalent benefits even to the consumer.

The Textile Industry is essentially a heterogenous aggregation of small units. It is characterized by a high degree of instability of prices, production, employment, and membership. It has little participated in the trend of most American industry toward the merging of units and the growth of large corporations. Structurally, the Industry is conventionally divided into a Silk and Rayon Textile Industry, a Wool Textile Industry, a Cotton Textile Industry. Actually, there is so much overlapping between the functions, processes and products of the members of these various "Industries" that the distinctions thus set up appear largely traditional and artificial. The Textile Industry is essentially one. Many of the difficulties of the N.R.A. in dealing with it under the codes arose from failure to recognize that fact, or to act on the recognition when made. Two years of N.R.A. experience strengthened the impression that the natural divisions of the Industry lie rather along functional lines than along those of fibre utilized or product produced.

Machinery and Equipment

The Textile Industry suffers from a chronic maladjustment of production to effective demand. This is in part the result of and in part the cause of the great amount of idle machinery usually found in this Industry - the so-called "excess capacity".

In addition, much of the machinery of the Industry is old, worn-out, depreciated and outdated by technological improvements - that is, obsolescent. 47.3 per cent of the looms are over 20 years old; 50 per cent of the spindles are over 25 years old.

Replacement, maintenance and repair have seldom formed parts of a planned policy among textile enterprises. The cost of overhead on unsuitable equipment eats heavily into the profits of the Industry. Worn-out or outmoded equipment that cannot pay its own way nevertheless exercises its destructive influence upon the costs and profits of its own production and that of more efficient machinery.

Reserves set aside for "depreciation", income tax exempt because supposed to be used for maintenance and replacement, have quite generally been dissipated for other purposes. This almost universal American financial quirk is of unusual importance in an Industry so cursed with "decayed" equipment. Diversion to other purposes of funds necessary for maintenance has caused high costs and their consequent evils, bankruptcy, generally unbalanced production schedules, irregular employment of labor and unemployment.

Efforts to eliminate the dead weight of unsuitable equipment have been quite common in foreign textile fields. Their principal manifestation in the United States was seen under the N.R.A., in the regulations concerning the installation of machinery, embodied principally in the Cotton Textile Code. Under these regulations the general tendency was to balance the installation of new productive equipment by the scrapping of an equivalent amount of old or second-hand machinery. The trial period of the scheme was so brief, however, and conditions were so abnormal, as to render deductions therefrom inconclusive.

Textile Prices

The Textile Industry represents a segment of American business where prices and production have been characteristically flexible and uncontrolled, while prices and production alike in many of the economic strata above, below and around the Textile Industry have been relatively controlled and inflexible.

Textile prices have been greatly affected in the last decade by the diminishing portion of the consumer's dollar which has been allotted to the purchase of apparel and household goods.

Among the elements of textile price raw material cost is usually the predominant item - an item greatly affected by the activities of the Government with regard to cotton and wool, and little affected by any textile code. Labor cost in most textiles averages close to one-quarter of the mill selling price, and was affected directly by the textile codes. Overhead cost was affected in some cases by the production limitation clauses of the codes. Profits have been of late years small or non-existent, but variations between individual enterprises are great.

Textile prices are determined very largely by the state of the national income; and cotton textile prices especially by the status of industrial activity. Control of textile prices by individual units or industrial combinations is rare. Such control is a possibility in wool textiles, and frequently an actuality in rayon yarn.

The Textile Codes did not affect prices by any direct effort at control. They did affect them by such indirect methods as price filing provisions, production control provisions, regulations of the terms of sale and delivery, etc.

Production Control

The Textile Industry has long been prominent in advocacy, if lacking in practice, of production control. Pre-code efforts at such control in

the textile field were failures except in the case of the rayon yarn producers. The composition of the Textile Industry is indeed such that the securing or maintenance of collective action without some form of compulsion has been exceedingly difficult.

The machine-hour restrictions of the Textile Codes, ostensibly a form of production control, in fact did not restrict the Industry's production. They set the allowable weekly operating hours at 80, in an Industry which had seldom averaged over 50. The effect on the sum total of the Industry's production was nil. For similar reasons that regularization of employment and flattening out of seasonal fluctuations which had been hoped for from these regulations did not come about.

The operations of some individual units and particular segments of the Industry where long hours of operation had been habitual were restricted. The net result in such cases was usually a re-allocation of business from the efficient unit to the relatively inefficient, and also an increase in overhead costs due to enforced idleness of plant and equipment.

Night work was largely eliminated.

The extraordinary curtailments in operating hours which were from time to time added to the code restrictions (in Cotton and Silk Textiles) were generally applied at a time when demand was lowest - hence tended to deepen rather than level out seasonal inequalities of production. These curtailments were determined on from opportunistic and short-term considerations; they had no "planning" behind them.

An alternative method of controlling production, that of inventory control, was used in a minor textile industry - the carpet and rug. Its operation has become a subject of interest in the textile field, due to the fact that it appears better adapted to the needs of individual units than any of the other methods tried, and yet equally capable of accomplishing production control.

The administration of the extraordinary curtailments of machine operations under the N.R.A. was not felt by many of the guardians of the public interest to have been adequately supervised.

The economic validity of production control is not proven; but the isolated position of the uncontrolled textile production in an economic scheme which is largely controlled appears anomolous.

Distribution and Financing

The distributive system of the Textile Industry is one of the most confused in American economy. The number of channels, the complexity and cross-currents of flow, the multiplicity of steps are amazing. The consumer purchasing textiles pays mainly for distribution and relatively little for manufacture.

Of late years the textile distributor has become steadily more integrated and powerful; the mill, by contrast, progressively weaker. The result has been the growth of many new distributive practices and

customs more favorable to the buyer than to the mill. The desire to reverse or arrest this trend accounts - principally - for the great body of trade practice provisions found in the Textile Codes. In the main the Codes undoubtedly strengthened the position of the Industry as against that of its customers and distributors.

Textile mills on the whole do not have control over the distribution of their products. On the contrary the agencies of distribution have in general acquired much control over production. In the main this ascendancy has been gained by virtue of the fact that distributors are habitually the financiers of the mills. Those who hold the purse strings direct operations. In the distributor-financier is located, habitually, the control of the Textile Industry. The interests of the controlling distributor are frequently not identical with that of the controlled mill. Moreover, this control involves little financial investment in the Textile Industry, little vital interest in its fortunes, and little responsibility.

The effort of the N.R.A. to alleviate the ills of the Textile Industry was predicated on the theory that the producing mills were masters in their own house; whereas, in fact the distributor-financier, whose operations were in general not subject to code control, was in many cases the real dictator of production policy and employment in the mills.

Labor

Deplorably long hours, low wages, seasonal unemployment and child labor were traditionally characteristic of the pre-code Textile Industry. All branches were, prior to the codes, among the lowest in employee compensation. These conditions were especially true of the South, where textile labor was notably unorganized and inarticulate.

It is not proven that textile labor received a lesser share of the Industry income than did labor in the average industry, but it nevertheless received fewer dollars than most labor. Excessive work assignment, real and fancied, was another festering sore in employer-employee relations. Yet another was the mill village, with the feudalistic possibilities embodied in the mill's ownership of the employee's home, shops and places of amusement.

The Textile Codes wrought a tremendous alleviation of some aspects of the labor situation. Night work was diminished; child labor was abolished at one stroke; employment was raised some 15 per cent (1934 over 1932); and unreasonable increase of work assignment was forbidden. Even so, the situation remained unenviable. Although the absolute increase in hourly wages was among the highest under the codes (nearly 65 per cent in the case of cotton mills) the hourly compensation in textiles remained among the lowest to be found in the major manufacturing industries. Hourly wages were increased, but hours of employment frequently were diminished; weekly and annual earnings consequently showed little gain. Code provisions designed to maintain the wage differentials between unskilled and skilled labor generally failed of their purpose.

The regulation and control of labor relations under the codes was turned over to various Labor Boards, possessing equal employer and employee representation. These Boards met with many difficulties. Complex

technological problems baffled them in their attempt to solve the work assignment situation. It was found impossible to enforce labor regulations in the one-man and family weaving shops. Suspicion and ill-judged tactics on both sides, and labor's disappointment at the slow realization of its hopes, led to more rather than less labor unrest and bitter strikes; union labor led the strikes, but did not succeed in greatly increasing its ranks.

The codes resulted in many gains for textile labor; but the end result was not happy, and many problems remain.

International Aspects

Our foreign textile market we have practically lost, principally to Japan; and that nation is threatening the domestic market in spite of tariff barriers. The Webb Export Law, which in effect waives the Anti-Trust Law as to exports, has not stimulated textile exports as was hoped. A subsidy is discussed.

Our foreign trade in textiles is still, however, an important though declining item. It amounted in 1934 to 21 per cent of our total exports and 15 per cent of our imports. This contrasts with Japan's situation, where textiles form 47.6 per cent of all imports, and 62.9 per cent of all exports.

Our Textile Industry is internationally integrated only in the case of rayon yarn.

Industrial Regulation

Orderly control by conscious intention of some or all textile activities has been effected or attempted by several types of agencies other than the N.R.A. The influence of various other Governmental interventions cannot be neglected. The Tariff has had a great influence on textile prices.

The total of the R.F.C. loans to textile enterprises has not been significant. The volume of Governmental purchases of textiles and textile products has sharply increased of late, principally through the buyings of the emergency relief agencies, both State and National.

The programs embodied in the textile codes were, except for their labor features, almost identical with those which the trade associations had advocated and unsuccessfully attempted for several years before the advent of the N.R.A. Notable and successful examples of the embodiment in codes of previously existing industrial agencies and means of regulation were the Design Registration Bureau of the Silk Association and the arbitration systems of the Wool and Silk Textile Industry.

Many other complicated regulations of business practice, however, were inserted in the textile codes at the insistence of the Industry. These provisions represented, in the main, previously untried schemes, and the misgivings with which N.R.A. permitted them were frequently justified by their inequitable workings and strife-producing results.

The continuance in power and the strengthening in influence of the textile trade associations by the codes was marked in the case of Wool and of Cotton.

Conclusion

England, Japan and others have found conscious and collective planning a necessity of the textile situation. In this country the Cabinet Committee and other investigating bodies have reported the need in textiles of something beyond the laissez faire war.

The experience of the Textile Industry under the N.R.A. for the first time demonstrated the possibility, under such a scheme, of cooperative action, of stabilization of a highly unstable Industry, and of alleviation of admittedly bad labor conditions.

The Textile Industry produces mainly basic consumer necessities - apparel and household goods. In no uncertain sense its production, prices and fortunes are affected with a public interest. Whether that interest can best be served by the withdrawal or by the exercise of Governmental supervision and regulation is the question which must now be answered.

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TEXTILE INDUSTRY IN THE UNITED KINGDOM, FRANCE, GERMANY, ITALY AND JAPAN

SUMMARY OF FINDINGS

The purpose of this survey has been twofold:

(a) To trace the conditions of the textile industry in some important textile producing countries.

(b) To ascertain the ways and means used in these countries for the economic rationalization of the industry. Attention has been paid particularly to the role of cartels, and to their effectiveness as a device for economic stabilization in the textile field.

Characterization of the textile industry in single countries has been made on the following points:

(a) The relative importance of the textile industry in the general economic structure.

(b) The role played by the textile industry in foreign trade country.

(c) Organization of the textile industry.

(d) Government and organized industry measures, particularly in the years of depression.

The relative importance of the textile industry in the general structure of the countries under survey may be well illustrated, for example, by the volume of employment:

EMPLOYMENT IN THE TEXTILE INDUSTRY AS A PRECENTAGE OF TOTAL VOLUME OF EMPLOYMENT.

Countries	Year	Per Cent	Basis of Comparison
England	1931	6.3	Total Number of Occupied Persons
France	1926	4.5	Total Number of Occupied Persons
Germany	1927	9.0	Total Industrial Employment
Italy	1927	16.0	Total Industrial Employment
Japan	1926	53.2	Total Number of Factory Workers

The data revealing the role played by the textile industry in the foreign trade of the countries surveyed are still more significant:

SHARE OF TEXTILE GOODS IN FOREIGN TRADE

Countries	Years	Value of Textile Goods as Percentage of the Total Value of Foreign Trade	
		Imports	Exports
		(Per cent)	(Per cent)
England	Average 1920-33	17.1	36.5
France	Average 1928-35	21.0	19.3
Germany	1933	20.4	10.2
Italy	1933	23.9	33.1
Japan	1933	47.6	62.9

The textile industry is the most important exporting industry in all the countries surveyed with the exception of Germany, where it ranks third. The value of the exports of the metal and chemical industries were greater in Germany than the value of exported textile goods. Thus the textile industry reflects more than any other the dislocations in international trade brought in by the depression.

The cotton and wool branches are the most important in the textile industry in all the countries under discussion, while the silk section plays a considerable role in Japan and France. The growth of rayon production has been particularly rapid in Japan and in Italy.

A wide technical and economic dispersion of textile production, diversity of business units and lack of standardization of the good produced characterize the British, French, German and Italian textile industries. As a rule only the finishing trades are more integrated and more highly rationalized. The rayon industry, on the contrary, is efficiently organized in all the countries mentioned and is under the control of the powerful International Rayon Cartel.

Organization of the textile industry in Japan is exceptionally good. Absolutely modern industrial equipment, low costs of production, and the supreme industrial and inter-industrial integration of the Japanese manufacturers, have assured the strong competitive position of the Japanese textile industry in the international market, and explain the spectacular expansion of Japan in the textile field in the years of the depression.

Under the conditions of the present dictatorial political regimes the German and Italian textile industries have been taken under the strict control of the state. Rigid control of the textile production, of the trade and of prices is an actuality in these countries. It is not yet possible, however, to make any definite conclusions as to the effectiveness of the German and Italian pattern.

Though a very clear tendency toward economic concentration is traceable in the British, French, German and Italian textile industries (the last two taken before the present regime), they still remain substantially competitive. The Japanese industry is under the all embracing control of a few industrial magnates.

Due to the lack of industrial integration and to a wide diversity of

business units, the cartels, though numerous, are strikingly inefficient and at the best short-lived organizations, in the United Kingdom, France, Italy and even in Germany, except in the finishing and rayon branches. The cartels of the Japanese huge industrial combines, on the contrary, have proved to be stable, effective and omnipotent.

The world-wide diffusion of textile production and the resulting heavy dislocations - considerably aggravated by the depression since 1929 - are the two outstanding characteristics of the present status of the textile industry. On such a general background the definite decline of the British textile industry and the gigantic expansion of the Japanese production are the most impressive and seemingly the most important features.

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TOBACCO INDUSTRY

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2. The economic and social conditions surrounding labor, based on color, sex, and geographic location; comparison with other industries, primarily the Textile Industry. The development of mechanization and the effects of technological displacement.
3. The problem of Integration with Agriculture.
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Sources

(1) Income Tax Unit, Bureau of Internal Revenue
(2) From published sources, including Moody's and Standard Statistics

II. The Tendency of the Large Corporations to Engage in Banking and Investment Operations: The accumulation of surplus beyond capital requirements -- financing expansion through earnings.

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VI. Mechanization: Current and potential mechanization of the cigarette and the cigar industries and among leaf dealers.

VII. The Unions: The unions in the tobacco manufacturing and the cigar manufacturing industries. Scope and effect of collective bargaining.

Sources:

1. Field Surveys by Bureau of Labor Statistics, Department of Labor, covering:
   The Cigarette, Snuff, Chewing and Smoking Tobacco Industry. Two surveys, during code and post-code.
   The Tobacco Leaf Dealers (Export). Two surveys during code and post-code.
   The Cigar Manufacturing Industry. Survey not yet completed.
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VI. Import Duties on Tobacco Leaf: The considerable use of Turkish tobacco in cigarettes selling 2 packages for 25¢ - cigar leaf imports.

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WHOLESALE TRADES

Preliminary Summary of Findings

While wholesale merchants in almost all trades have lost ground as factors in distribution during the past three decades, in the aggregate they continue to constitute a large and important industry. In 1933 wholesalers operated 76,856 establishments; they had invested in goods throughout the year capital in excess of $1,600,000,000, and they paid $861,501,000 in wages to 600,847 employees.

The Industry is composed of groups known as "trades." The establishments engaged in the latter purchase and carry in stock related types of merchandise, which they in turn sell and distribute to retailers, as well as to industrial, commercial and institutional customers. Retailers buy almost entirely for resale, whereas industrial, commercial and institutional customers buy largely, though not entirely, for their own use.

Although the great majority of wholesalers in each trade stock a wide variety of products, there is usually some similarity in merchandise. Since the range and types of goods carried necessarily reflect the needs of their customers, these trades usually buy from many different industries; and only in the case of such goods as automotive supplies, electrical home appliances and certain classes of industrial products do we find wholesalers carrying only the products of one, or at most a few, manufacturing industries.

Since these instances of comparatively "pure" distribution channels are in the minority, regulatory measures, governmental or otherwise, which apply to all wholesale trades, must be devised and applied independently of those pertaining to the regulation of producing industries. Otherwise such efforts could result only in each distributing trade and its individual units being subject to a bewildering maze of contradictory rules and regulations, few of which could be put into actual effect.

It is evident also that, even if regulatory measures were devised for the wholesale trades individually, the degree of success in their application would be in direct proportion to their simplicity, and practicability from an administrative viewpoint.

A majority of the establishments in almost every wholesale trade are engaged in commerce across state lines. The establishments are generally located in the larger cities or "trading centers." They employ salesmen to sell their wares to dealers and large consumers within what are known as "commonly accepted" trading areas surrounding the trading centers. There are, however, a few concerns in almost every trade which operate on a national or semi-national scale.

With few exceptions the commonly accepted trading areas do not lie wholly within single states. In the eastern part of the United States they usually include portions of two or three states; in the less populous southern and western portions they cover sections of four or five states. The areas overlap somewhat, and there is considerable competition between wholesalers located in adjacent trading centers.

By plotting the selling range of the salesmen of representative groups of establishments, and also by indicating the commonly accepted areas of many of these trades, as identified by trade associations and informed members, the interstate character of the business can be shown in many cases. The method of establishing the propriety of federal regulation under the Commerce Clause of the Constitution, applicable to all others, is clearly laid out.

Associations representing approximately 75 of these trades presented codes at Washington in the summer of 1933. It was found, however, that the trades competed with one another, overlapping in many directions. It was deemed unwise, therefore, to approve a separate code for each group, since basic provisions might conflict and create competitive inequalities.

Accordingly, it was planned to govern almost all wholesalers by a general code, and to permit the adoption of separate supplementary provisions for individual trades, where such provisions would cause no competitive inequalities.

The General Wholesale Code stipulated that its provisions should govern all establishments engaged in wholesaling which, on the effective date, were subject to no other code or were not exempted by administrative order.

This plan proved to be only partially successful. Of all the trades concerned nineteen subsequently insisted upon and were granted separate non-supplementary codes, unrelated to the General Wholesale Code. Nine others eventually withdrew, and became subject to provisions of manufacturing codes.

Utlimately, only some 21,000 establishments, or less than one-third of the whole trade, remained under the provisions of the General Wholesale Code. Of these twenty-four trades obtained approval of supplementary codes, and the right to form separate code authorities.

Of the trades having no supplementary codes but technically subject to the General Wholesale Code, three (the drug, the shoe and the florist wholesalers) denied the authority of the General Code and ignored its provisions throughout the effective period, although no administrative exemption was ever issued.

During the depression years employment in the wholesale trades decreased about 23 per cent, a reduction less than that which developed in manufacturing industries. Regardless of changes in volume of business these merchants were faced with the need of minimum staffs in order to perform their essential services. Average weekly wages during the same years dropped approximately 43 per cent. These changes, of course, were by no means uniform throughout all the trades. Employment in a few actually increased, and the extent to which the wages were reduced varied considerably.

In the summer of 1933 most of the establishments signed the President's Reemployment Agreement, though in nine trades substituted provisions permitting considerable flexibility in compliance. Generally speaking, the President's Reemployment Agreement was responsible for the only increases in employment that occurred in these trades under the NRA. The improvement was approximately eight per cent.

While the General Wholesale Code itself was expected to produce an increase of from 10 to 15 per cent in employment, the provisions actually relaxed the requirements of the President's Reemployment Agreement by eliminating the mandatory spread between work hours and store hours. The General Wholesale Code was approved January 12, 1934, and there is no evidence of any general reemployment in the trades during the year that followed.

Wages in the wholesale trades, in general, averaged considerably higher than the President's Reemployment Agreement minima. Although the Agreement required adjustment of wages above the minimum, the Code struck out this provision and permitted the reduction of wages of workers whose hours had been decreased more than 20 per cent. Consequently, the only changes in wage rates and the only increase in wage earners' purchasing power which occurred during the effective period of the National Recovery Act affected errand boys and perhaps a small proportion of file clerks. Average weekly wages did not change perceptibly throughout the 22 months.

Evidence of the effect of the Schechter decision on wage earners is not conclusive, but indicates maintenance of wage rates and work-week maxima. Wholesale establishments were perhaps somewhat overstaffed for purposes of compliance with the codes. This is suggested by the fact that, though job applications to the United States Employment Service by persons whose common occupations were in these trades rose sharply in June and July, placements, for the first time in many months, fell off.

Labor costs in the wholesale trades do not affect prices or competitive advantage as directly as does that part of expense in the case of manufacturing. Generally speaking the labor is easily replaceable, though skill and specialization are required in the warehouse end of some of the trades. Wholesale wage earners, unlike those in manufacturing, are not concentrated geographically or in individual establishments. For example, while employees of manufacturing concerns in 1929 averaged 41.8 per establishment, the average per wholesale establishment was only 9.5. For the foregoing reasons and because working conditions and compensation have been neither conspicuously bad nor good, labor in wholesale establishments, except in a few isolated instances, has never been unionized. Section 7(a) of the National Industrial Recovery Act did not foster any perceptible increase in unionization.

Generally speaking, wholesalers regarded the National Industrial Recovery Act as a means of checking the movement of distribution away from the channels in which they were major factors. The study of each of the trades has indicated a steady increase of direct selling to retailers and large consumers by manufacturers, particularly since the turn of the century. Producers have usually not entirely ignored the wholesale merchant, but have engaged in what is known as "dual distribution", selling direct to chain stores, large city retailers and some large consumers and simultaneously selling to wholesalers, without maintaining the price differentials formerly allowed the latter. Wholesalers have regarded this as discrimination, and obtained the approval of a provision in the General Wholesale Code permitting, with the approval of the Administrator, the establishment of fixed differentials. This they regarded as the most valuable provision in the Code. The NRA, however, was never willing to approve any specific

differentials; and in consequence of this disappointment many trade members became apathetic toward the entire program. In at least one trade the Code Authority proceeded to make differential agreements with the manufacturers, and attempted to enforce them without administrative sanction.

The 24 supplements to the General Wholesale Code contained approximately 200 trade practice provisions, dealing with destructive pricing practices, extension of credit and shipping terms, and in each instance the Class A practices of the Federal Trade Commission. A few of these were designed to create unprecedented restrictions on trade; but in general they represented practices that had been commonly accepted among the merchants for many years. Usually the larger and more substantial members of the trades complied with these provisions; but the "chiseling fringe", which in each trade constituted about 10 per cent of the members, soon came to ignore them. It was felt that tangible evidence of violations was difficult to obtain, and that the compliance machinery was cumbersome. Particularly during the last six months of the NRA, therefore, there was little effort at enforcement by the Code Authorities. Evidence concerning the status of competition in these trades since the Schechter decision has been found to be fragmentary and inconclusive.

WOMEN'S CLOTHING INDUSTRY

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WOMEN'S CLOTHING INDUSTRY

Part I. Financial Problems of the Women's Apparel Industry

Preliminary Summary of Findings

More than $100,000,000 is invested as capital in the Women's Apparel Industry by over 10,000 entrepreneurs, whose individual investments vary from a few hundred dollars to $4,000,000. The importance of capital in this Industry is essentially in its use as a foundation for establishing an enlarged credit structure.

The Industry produced in 1929, according to the Census, a sales volume of $1,710,000,000, which thereafter dropped sharply until the 1933 volume was only $846,000,000. The industry-wide ratio of annual sales to capital is normally 8 to 10, with considerable variation among the subdivisions and the concerns in competitive groups. The depression reduced capital turnover averages about 50 per cent. The ratio of sales to capital generally diminishes as the size of the concern increases. Turnover also tends to decrease as the quality of the product increases. In certain manufacturing-wholesaling lines success may be achieved on a capital of $15,000, but the employment of $30,000 to $50,000 appears a safer minimum.

Types of Establishment

Approximately 50 per cent of the establishments are those of small contractors or submanufacturers, with an average investment of around $2,500 - many with $1000 or less. The jobber producing through contractors' outside shops has a minimum of fixed investment and a higher capital turnover than the inside shop wholesaler, who may have 30 per cent or more of his net worth invested in factory equipment. Investment in fixed assets is higher outside of New York City, the garment center, where approximately 80 per cent of women's ready-to-wear clothing is produced. The trend is away from inside shops and in favor of an extension of the contractor-jobber relationship, with a tendency toward a reduction in capital investment and a higher turnover aided by available credit facilities.

The source of capital is the private funds of the entrepreneur, in some cases supplemented by loans from families and friends. The initial capital is augmented by the extension of liberal credits by banks and piece goods houses - the aggregate frequently running considerably in excess of the not unusual ratio of two and one-half times net worth.

The cutting-up trades are now the primary markets for woolen, silk and cotton piece goods. Textile mills which formerly produced for stock now tend to limit manufacturing operations to orders placed by the garment manufacturer. The latter's financial commitments are increased, and a sudden shift of fashions or a decline in commodity prices may result in substantial losses. A tendency has been noted in the direction of speculative commitments against rising prices.

Terms of purchase and sale remain substantially as under the codes. The coat and suit manufacturers have attempted in vain to procure a restoration of pre-code discounts on woolens, and the cotton garment manufacturers would prefer the cotton mills' pre-code terms of four months to lighten financing costs.

Administration

There is a deplorable lack of knowledge on the part of proprietors of many concerns of the fundamental principles necessary to successful business administration, and an unadaptability to meet changing conditions. Education in cost accounting principles and the application of uniform systems among the various groups of the Industry would be a step in the right direction, as would consideration of a wider and proper use of the trade acceptance in settling merchandise accounts.

Since 1930 the apparel industries have suffered severely from losses and drastic declines of capital. Some agile operators have made substantial profits, but at the expense of the majority, who show net losses or only a fractional percentage of profit. Vulnerability to rapid style changes in the short operating seasons propagates a high degree of speculation in a field of unrelenting competition. Industry disorganization militates against the acceptance of standards and the retailer is not averse to taking advantage of the situation, with a constant pressure on price and frequent returns of merchandise.

Results Achieved Under the Code

The codes brought a semblance of relief to the garment industries through establishing a forum for the discussion of problems and the arbitration of differences. In spite of the higher labor costs established, a general feeling of advance toward stabilized conditions was manifest. Code standards have since been relaxed; but a dominant union control in the garment center of New York is fairly successful in maintaining direct labor costs at 100 per cent above those prevailing about four years ago, while from 10 to 20 per cent of the Industry in other localities not subject to union control is free to pay labor on a lower basis, thus permitting ruinous competition.

This condition, productive of profitless operation, has led to a tendency to migrate from New York, checked only by the necessity of maintaining headquarters in the established style center. In their dilemma many employers on the one hand and petty union officials on the other seek a solution through the circumvention of the established union rates of pay. This, and the unregulated jobber-contractor relationship, have produced insidious practices profitable only to the racketeer, and in the final analysis expensive to the manufacturer, who must regard his ultimate outlay as an indirect labor cost of production.

Manufacturers' organizations and ranking labor leaders alike are cognizant of the ills of the Industry, but through factional discord appear powerless to unite upon a solvent. Absence of outstanding, fearless leadership delays effective industry self-government. The urgent need is an authority to coordinate divergent interests, to conduct a campaign in management education and in cost accounting, and to exercise

supervision over the machinery for the enforcement of law and order. Whether the law be of Industry's making or Federal, its application, to be effective, should cover all organizations and elements within the Industry, including organizations of labor. Standards should be set up to provide fair wages for labor consistent with an equitable return on the employer's efficiently administered capital. In support of such a program the Women's Apparel Industry would register an overwhelming vote.

WOMENS CLOTHING INDUSTRY

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WOMENS CLOTHING INDUSTRY

PART II. THE CONTRACT SYSTEM

Preliminary Summary of Findings

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The normal competitive pressures in the Women's Apparel Industry, caused by structural weaknesses and seasonal variations in demand for its products, are intensified by maladjustments in the mechanism of the contract system employed for a large part of its production.

The functions of wholesale distribution are performed by two principal types of establishments - inside shops or manufacturers who perform all of the operations of production on their own premises, and jobbers who rely upon outside shops, contractors or submanufacturers for the greater part of their production. Inside shops often employ contractors for part of their production, and jobbers sometimes own or control one or more inside shops.

The competition between outside shops is intense, particularly in slack seasons, and their powers of resistance are insufficient to withstand the pressures brought to bear upon them. Competition between outside shops spreads throughout the Industry, affecting the welfare of all elements.

For many years prior to the advent of NRA the problem of stabilizing and regulating the relationships between jobbers and contractors was of paramount importance in the general program of industry stabilization. Various efforts at control were made from time to time, but it was not until the National Industrial Recovery Act introduced a new element into the methods and scope of regulation that comprehensive programs were adopted.

Results Achieved Under The Code

Varying degrees of success were attained under different codes. The program adopted by the Coat and Suit Industry has as its basis the strict limitation of contractors employed by an individual jobber to the designated number necessary for his business needs. The evidence indicates that this program was successful; and upon the expiration of the code the system of regulating contractor-jobber relationships was continued in force under the National Coat and Suit Industry Recovery Board.

Under the Dress Code strict limitation of contractors was neither specified nor implied. From the earliest negotiations to the end of the code period the question of limitation was the focal point of heated controversy.

The success of the Coat and Suit Industry and the failure of the Dress Industry to effect a measurable degree of control over relationships in the contract system are probably explainable on the grounds of differences between the two in the intangible factors that determine their capacities for self-government - organization, leadership, psychological

attitude, and status in the development of regulation.

The adoption and effective administration of regulatory measures calculated to stabilize contractor-jobber relationships and diminish their ill effects are impeded by the partisan aspects of collective bargaining; by honest differences of opinion on proposed but untried remedies; by the status of organization; by the psychological attitude of particular branches of the Industry toward regulation, as indicated by the comparison of the Dress and the Coat and Suit Code experiences; and by the operation of general economic influences beyond the control of the Industry.

Broadly speaking, there is comparatively little controversy on the various regulatory measures which have been proposed and adopted, with the exception of the limitation of contractors. The jobbers maintain that strict limitation impairs the necessary flexibility of their operations, and that its administration contains possibilities of abuse and discrimination. The proponents of limitation state that stringent measures of control are necessary to prevent noncompliance through technical subterfuge. It does not appear that limitation of itself necessarily promotes monopoly or discrimination; but there are potentialities for abuse if proper curbs are not placed upon powers delegated to administrative agencies.

The most significant fact is that after many years of failure to adopt more than limited half measures of control, under NRA comprehensive programs of regulation were adopted for the first time. NRA served as a new element in the mechanism of industrial self-government, a central agency and vehicle through which composite industry objectives could be given expression. In addition, NRA served to widen the scope of regulation beyond that covered by the established regulatory agencies of the Industry.

The position occupied by the National Recovery Administration as a mediator in factional disputes, and the spirit of confidence inspired by the promise of a degree of stabilization previously unattainable, had the affect of overcoming certain deadlocks of long standing, and of facilitating united action by the previously antagonistic elements of the Industry.

It is possible that if the Act had been renewed, and if new codes had been presented in the summer of 1935, the influence of the National Recovery Administration would have assisted in the further development and refinement of regulatory measures, with the result that additional progress in stabilization might have been attained.

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WOMENS CLOTHING INDUSTRY

PART III. OVERLAPPING BETWEEN THE DRESS AND THE COTTON GARMENT CODES

Preliminary Summary of Findings

The Women's Apparel Industry is divided into major functional groupings by types of garment, such as dresses, coats, suits blouses, underwear, etc. There are subdivisions of the major groupings on lines of style, price, material, function, methods of production, necessary skill of workers, channels of distribution, and geographic location of shops. The organization of the Industry under unions and trade associations has been established largely along specific product lines, the organized and unorganized groups being divided by the influence of one or more of the factors just mentioned.

The production of dresses is separated roughly by type of product into the "regular" dress group and the house dress group. The Dress Code presumably represented manufacturers of relatively higher priced, higher styled dresses, whereas the House Dress Division of the Cotton Garment Code presumably represented the lower priced garment made primarily of cotton, linen and inexpensive synthetic fabrics. The wage rates adopted under the two codes were substantially different, the Dress Code providing, for example an hourly minimum of 90 cents for operators in the New York Metropolitan Area, whereas the Cotton Garment Code provided a simple basic minimum of $13 per week in the North and $12 per week in the South.

The Dress Industry is largely concentrated in the New York Metropolitan Area, whereas the House Dress Industry is spread over the whole country, in the smaller cities and villages. Throughout the code period an intensely bitter controversy existed between these two "Industries" because of the overlapping of the two codes and the resulting difficulties of individual manufacturers who happened to fall within the zone of conflict. Various efforts were made by the National Recovery Administration to establish a line of demarcation, or an area of least conflict, between the two "Industries, but no satisfactory solution of the problem had been reached at the time of the Schechter decision.

The evidence contained in N.R.A. records is not conclusive as to the possibility of establishing a least inequitable line of demarcation. It is possible that further investigation might yield information upon which a zone of least possible conflict might be established. In such a zone, special administrative treatment on a weighted wage scale basis or otherwise might effect a satisfactory solution of the problem. There are practical difficulties, however, in administering such an arrangement.

Solution to Problem

It does not appear that the problem would be solved by merely including both industries under one code, establishing price line differentials. This principle has been applied with a fair degree of success in certain industries, but unless further investigation should reveal that there is a very small zone of actual conflict at some particular point, it would seem that the geographic distribution of the House Dress Industry would make the administration of a complex wage structure extremely difficult.

The problem can be solved on the basis of establishing equal wage and hour provisions for both groups. As a practical matter this would require that the classified wages above the minimum provided in the Dress Code be abandoned in favor of a more simple provision for a basic minimum wage applicable to both groups. Such a proposal would not have had the approval of the high wage group during the code period, but there have been evidences since the invalidation of the codes of a sentiment in influential quarters favoring a simple basim minimum, which would tent to eliminate "sweat shop" competition, even though it would not equalize labor costs on specific price ranges and types of garments.

WOMEN'S CLOTHING INDUSTRY

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WOMEN'S CLOTHING INDUSTRY

PART IV - THE DELEGATION OF POWER IN THE COAT AND SUIT CODE INDUSTRY

Preliminary Summary of Findings

Established Agencies of Self-Government in the Industry

In certain branches of the Women's Apparel Industry a highly developed form of self-government had been in existence for many years prior to the advent of the National Recovery Administration. Collective agreements between organized elements had been administered by an elaborate mechanism, including impartial machinery for the adjustment of intra-industry differences, and a field force of investigators, organizers, and adjusters, who performed the function of enforcing compliance with the provisions of the agreements. In addition to the direct action of strikes and lock-outs, penalties for infractions were provided in the by-laws of the union and the trade associations, in the shape of fines, dismissals, or suspensions. The collective agreements were often interlocking arrangements for preferential and exclusive dealing with signatory members of the different groups. Certain branches of the Industry were highly centralized in metropolitan areas, particularly the area in and surrounding New York City. Under these circumstances a more or less united front was presented against outsiders.

NRA and the Established Agencies

It was logical that under NRA the established agencies of the Industry should be combined with and adjusted to the code authority mechanism, to avoid duplication of effort and to enable the activities of each type of organization to supplement the work of the other. In certain instances the provisions of codes and collective agreements were synchronized. The impartial judicial machinery of industry was merged with the adjustment agencies of the code authorities, and the responsible officials of the trade associations and the union were elected to represent their respective groups on the code authorities. The Codes covered territory outside of the organized field and code compliance was strongly supported by the cooperative and supplementary efforts of the established agencies. It was a working partnership that proved effective, but it had complications.

Charges Against the Code Authority

The Coat and Suit Industry provides an example of a fully developed form of industry organization, which was coordinated with the Code Authority in the manner outlined above. The difficulties which arose between the Coat and Suit Industry and the National Recovery Administration were partly questions introduced by NRA as to the truly representative character of the Code Authority, the restrictions placed upon membership in the sponsoring trade associations, and the alleged dual and conflicting responsibilities of Code Authority officials who occupied positions in the established agencies of the Industry; and partly allegations of monopoly, discrimination, and oppression, raised by industry members who were outside of the interlocking association

and union control, or who had come into conflict with the interests of the New York group.

These charges ranged all the way from alleged partiality in the exercise of the judicial function by the Code Authority, to the alleged use of racketeers and strong-arm methods in the enforcement of the provisions of the Code and of collective agreements. While the charges were not definitely substantiated, neither was the atmosphere entirely cleared. It is probable that the questions raised by NRA on true representation, inequitable restrictions on membership, and dual responsibilities of code authority officials, would have been satisfactorily resolved had the National Industrial Recovery Act been renewed.

On the other charges, even though in many instances they may have been merely a form of defense presented by recalcitrant members of the Industry, there were sufficient possibilities of abuse to raise questions of broad principle and practical policy on the delegation of power, which must be considered in connection with any future form of federal control of industry.

It is impossible to conclude from the Coat and Suit experience that general policies may be established which would apply to all industries alike, but this experience suggests that certain changes from NRA, policy might well be made. It appears that there is justifiable doubt of the advisability of permitting industry in certain instances to exercise delegated judicial and police powers, in view of the naturally and historically partial attitude of the organized elements charged with their administration.

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FOREIGN TRADE UNDER THE NATIONAL INDUSTRIAL RECOVERY ACT

Preliminary Summary of Findings

CHAPTER I. OBJECTIVES AND SOURCES OF INFORMATION

In general an effort has been made in this study to survey the National Industrial Recovery Act experience with foreign trade problems, including a review of the nature and effects of the various types of foreign trade regulation attempted, to formulate the issues involved, and to present a summary of the available information from which conclusions may be drawn.

The principal subordiante objectives may be specifically stated as follows: (a) To indicate the relative importance of foreign trade, both imports and exports, in the industrial economy of the United States, the extent to which it has declined, and the effect of that decline on the problem of recovery to which the National Industrial Recovery Act was addressed; (b) to explore the legal implications of those provisions of the Act relating to foreign trade in the light of existing law, and the legal problems incident to the administration of those provisions, and to evaluate them as legal measures for achieving the desired regulation or control; (c) to provide an adequate review of the administration of Section 3 (e) the (tariff section) of the Act and to evaluate that section as a method of dealing with the problem of import competition in connection with the program of industrial recovery, (d) to survey NRA experience in the regulation of import trade by means of codes, including problems incident to the administration of such codes and their effectivness as a method of dealing with import trade problems; and (e) to indicate the extent to which the commerce of particular industries is international in character, and the importance of import and export trade in particular commodity or code groups, and to survey the problems of industrial regulations to which foreign trade gives rise.

In connection with this study an effort was made to assemble all available materials having a bearing upon the various aspects of the problem, from both government and private industry sources. The bulk of the materials examined was drawn from the files of the NRA and the United States Tariff Commission. The NRA materials included principally the records of the Imports Division, relating to the administration of Section 3 (e) of the Act, Legal Division memoranda relating to foreign trade problems, and materials from the industry divisions relating to those codes which specifically covered imports or importing, and others which involved important import and export trade problems.

CHAPTER II. DECLINE OF WORLD TRADE AND OF THE FOREIGN TRADE OF THE UNITED STATES FROM 1927-1929 TO 1934

World trade in 1934 with a value of 11.7 billion dollars (gold) had declined 65 per cent from the 1927-29 average, but the index of quantity fell only 20 per cent during this period. In every important country the decline in the physical volume of foreign trade has been much less during the depression than in the total value. In fact, Japan increased the quantity of both exports and imports.

Since 1929, the foreign trade of the United States, in quantity and gold value, has fallen more abruptly than world trade and to a greater extent than has the foreign trade of any other principal trading country.

During the base period 1927-29 the United States supplied 15.5 per cent of total world exports and received 12.1 per cent of total world imports. By 1934 these shares were 11.0 and 8.1 per cent, respectively.

The price level of internationally traded commodities in 1934 was 43 per cent of the 1927-29 average. The level of United States export prices has been higher than the world average, although lower than the general level of internal prices.

The index for the quantity of United States imports during the depression remained much higher than the index of their value, and, also, higher than the quantity and value indexes of United States exports. This would seem to indicate that the United States has been buying its imports (largely raw materials) more cheaply than it is willing to sell its exports (more than half manufactured goods). This is probably an important factor in the loss of United States export markets.

CHAPTER III. CHANGES IN THE COMPETITIVE POSITION OF THE UNITED STATES IN RELATION TO THE PRINCIPAL TRADING COUNTRIES

The principal trading countries of the world are the United States, the United Kingdom, Germany, France, Canada, Japan, and Italy. Together they account for practically half of the world's imports and exports. The United States sends approximately 56 per cent of its exports to these six countries and receives about 40 per cent of its imports from them. The United Kingdom, France, Germany, and Italy, each take from 10 to 15 per cent of their total imports from the United States. Japan takes about one-third and Canada more than one-half of its imports from the United States. Canada and Japan ship from 30 to 45 per cent of their exports to the United States. Italy sends about 10 per cent of its total exports to this country, and the other three countries about 5 per cent each.

The largest favorable trade balances of the United States in 1934 were with the United Kingdom, Canada, and Japan. The net balance with the United Kingdom, the largest with any country, was only 50 per cent of the 1927-29 average. In 1934, the favorable balance with Canada fell to 25 per cent of the 1927-29 average. During 1927-29 the net balance with Japan was unfavorable by $102 million, but in 1934 it was favorable to the extent of $110 million (page 49) With France, Italy, and Germany, the United States consistently has substanial favorable trade balances. In 1934 these were $84 million with France, $46 million with Italy, and $77 million with Germany.

As contrasted with the maintenance of the gold standard by France, and the at least nominal adherence to it of Germany and Italy, the exchange value of the pound sterling declined sharply after 1931 and averaged 68 per cent of par in 1933, 62 per cent in 1934. The Japanese yen declined steadily during the depression and in 1934 stood at 35

per cent of its gold value. The trend of the exchange value of the Canadian dollar has paralleled that of the United States dollar, and in 1934 they were each at practically 60 per cent of gold value in 1927-29.

The relative position of the United States as a supplier of imports into all of these countries, except Japan, has declined steadily since the base period of 1927-29. In 1934, Japan took 34 per cent of its total imports from the United States, compared with an average of 30 per cent for 1927-29. The United Kingdom received only 11 per cent of its total imports from the United States in 1934, whereas the ratio had been 16 per cent in 1927-29. Canada took 58 per cent of its imports from the United States in 1934, the average for 1927-29 having been 67 per cent. France took 12 per cent of her total imports from the United States in 1927-29, and 10 per cent in 1934. Italy took 18 per cent of her imports from the United States in 1927-29, and 13 per cent in 1934. Germany's imports from the United States were 14 per cent of her total imports in 1927-29, and 8 per cent in 1934.

CHAPTER IV. FOREIGN TRADE AND INDUSTRIAL RECOVERY

Based upon 1927-29 relationships and corrected to the gold equivalent, the index of the general level of wholesale price in the United States in 1934 was 46. This was decidedly lower than those for Germany (71), Italy (55), and France (51), but was higher than for Canada (45), the United Kingdom (42), and Japan (30). On the same basis, in 1934 the index of industrial production for the United States (71) was at the foot of the list, with Japan (146) at the top, and the other countries higher that the United States by large margins. Based on 1927-29, the indexes for industrial employment in these countries in 1934 were not so widely spread. The United States index (78) was higher than that for France (77), and Italy (72), but lower than for the other countries. Germany's index had reached 88, and the indexes for the United Kingdom (100) and Japan (99), were practically at the 1927-29 levels. The foregoing comparisons indicate that these six countries in 1934 had more nearly restored their internal economy to normal than had the United States.

The total value of United States exports in 1934 was $2,100 million, a decline of 69 per cent from $5,100 million, the average value of exports for 1927-29. Imports into the United States in 1934, valued at $1,600 million, were 61 per cent below the 1927-29 average of $4,200 million. A rough estimate indicates that in 1934 the total exports of United States merchandise amounted to 7.5 per cent of the value of the domestic production (including transportation costs) while total imports were about 5 per cent of the value of production (excluding transportation costs).

Should exportation and importation be considered as industries and be ranked with the sixteen industry groups of the Census of Manufactures, they would have been, respectively, sixth and seventh in importance in 1929 and tenth and eleventh, in 1933.

Exports of manufactured goods, in 1927-29 had an average value of $3,500 million which declined to $1,400 million in 1934. These exports represented 8 per cent of the net value of the domestic production of

manufactures for 1927-29, and about 5 per cent in 1933. The difference between the value of these exports was $2,100 million, or the equivalent of 4.9 per cent of the average value of domestic products (gross,) reported by the Census of Manufactures for 1927 and 1929. Applying this percentage to the average number of total wage earners in manufacturing in those years, the decline in export trade represented a loss of employment for 300,000 to 400,000 persons. The Census of Manufactures shows only seven industry groups having more than 400,000 employees in 1929, and only five in 1933.

The average value of imports of manufactured goods was $2,150 million in 1927-29, declining to $930 million in 1934. The ratio of these imports to the net value of domestic production of manufactures declined from about 5 per cent in 1927-29 to 3.8 per cent in 1933. Despite the decrease in value, it will be observed that the impact of imports upon declining domestic production had not greatly lessened.

IMPORTS AND IMPORTING UNDER THE ACT

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IMPORTS AND IMPORTING UNDER THE ACT

Preliminary Summary of Findings

CHAPTER I. IMPORTANCE OF IMPORTS

The ratio of the total value of imports, to the total net value of domestic production, not including transportation costs, amounted to 9.1 per cent in 1929 and 4.8 per cent in 1933. The ratio of imports of manufactured goods to the total net value of domestic manufactured goods was roughly 4.8 per cent in 1929 and 3.8 per cent in 1933.

Based on the Census of American Business the aggregate sales of importers and import agents in 1933 were approximately 2-1/2 per cent of the total sales of all types of domestic wholesale trade.

Based on an average of 1929, 1931, and 1933, approximately one-fifth of all raw materials going into domestic production is imported; these raw materials account for roughly 45 per cent of total imports. The balance, products of foreign manufacture, amount to about one-thirtieth of the aggregate value of the domestic output of manufactured goods.

Customs receipts from imports amounted to over 600 million dollars in 1929 and 250 million dollars in 1933, or 15 per cent and 11 per cent, respectively, of the total federal revenue in those years.

CHAPTER II. COMPOSITION OF IMPORTS

Imports in 1934 were distributed as follows by economic classes: crude materials, 28 per cent; crude foodstuffs, 15 per cent; manufactured foodstuffs, 17 per cent; semi-manufactures, 19 per cent; and finished manufactures, 21 per cent.

The principal import commodities in 1934 were, in order of importance by value: coffee 8 per cent, raw sugar 7 per cent, crude rubber 6 per cent, newsprint 4.7 per cent, and raw silk 4.4 per cent. These accounted for over 30 per cent of the total in that year. Other important items amounting to one per cent or more of the total were: tin, woodpulp, furs, distilled liquors, hides and skins, copper, burlaps, vegetable oils and fats, crude petroleum, unmanufactured tobacco, bananas, fish and fish products, cotton cloth, wearing apparel, and lace. The 18 items enumerated accounted for approximately 55 per cent of the total imports in 1934.

A number of import commodities, such as sisal, tin, quebracho extract, quinine, crude rubber, potash, and green coffee, all essential to domestic industries, are subject to some degree of control by foreign producers, or by the governments of the countries of origin, through taxation or other measures directed toward the manipulation of market, supplies and prices.

CHAPTER III. STRUCTURE OF IMPORTING BUSINESS

On account of the varying character of import transactions, which depend upon the manner of handling imports and upon the types of commodities and circumstances involved, there is considerable difference of opinion among authorities as to the area covered by the terms used to describe the persons and processes involved in importation; and there is unusual looseness in the use of such terms in the trade.

Importing organizations may be broadly classified, according to the major functional aspects of their operations, as follows: (a) import dealers, who engage in the wholesaling of merchandise purchased abroad; (b) local selling branches of foreign producers and merchants, which perform the functions of local warehousing and distribution for their principals abroad; (c) import commission houses, which sell foreign merchandise on contractual arrangement with foreign principals, sometimes involving consignment; (d) import brokers and purchasing agents, who acquire foreign merchandise for their domestic principals, and (e) special departments maintained by industrial consumers and by department stores for the acquisition of foreign materials or merchandise.

Generally speaking, importers who handle the more important import commodities, such as coffee, sugar, rubber, etc., confine their operations to one commodity. However, in the case of semi-manufactured and finished products most importers handle related lines, and the larger importing organizations often handle numerous unrelated lines.

Numerous import firms handle several commodities and several foreign accounts, each on a different basis. They are solicited constantly by foreign merchants, and contractual arrangements for financing and merchandising are arrived at by bargaining. The import firm may be disposed to act as dealer in one line, while circumstances may cause it to contract to handle another foreign line only on a brokerage or commission agency basis.

The size of import firms varies widely, depending upon the complexity of functions performed, the number of outlets solicited, the frequency of solicitation, and the character of the commodity handled. Among the largest organizations are Amtorg and Mitsui, domestic branch sales offices of foreign organizations, and employing a personnel of 150 or more in their import operations. There are several general import dealers who give employment to 50 or more, but the average number of employees of import dealers does not exceed seven. Although there is a large number of individual establishments, the typical import brokerage firm in many commodity lines would employ only one or two salaried persons.

The labor aspects of importing trades cannot be analyzed effectively at this time owing to the paucity of available information. According to the Wholesale Census of 1929 and 1933, employment in the importing trades dropped from 23,000 to 19,000. Large import firms employ commodity buying and selling specialists, as well as clerical staff comprising accountants and stenographers. Commission agencies and import brokerage firms employ in many cases just one accountant and one secretary-stenographer. No wage or hour data are submitted by sponsors for the

importing trade code. Census data would indicate that the average wage levels were higher than that for all wholesale firms.

The three associations of national scope which have a considerable following among importers comprise the National Council of American Importers and Traders, The American Exporters and Importers Association, and the National Foreign Trade Council. There are also a number of associations grouping specific commodities, such as the Shellac Importers Association, the Gum Importers Association, the Hemp Brokers Association, etc. The three general associations make a careful study of government measures affecting importation and they present their views on pending legislation. The commodity associations make a usual practice of facilitating adjustments and standardizing import contracts.

CHAPTER IV. EXPERIENCE OF NRA IN DEALING WITH IMPORT PROBLEMS

A number of NRA codes contain provisions designed to control imports. In connection with its production control the Lumber Code specified that in the case of divisions utilizing foreign raw materials, the quotas and allotments might be in terms of imports. The administrative agency for the Philippine Mahogany Subdivision controlled imports by allotment, and the NRA Litigation Division pressed court action against several importers who exceeded their import quotas. The Copper Code contained a provision fixing sales quotas and specifying that only copper within these quotas allotted by the Administrative Agency could be labeled "blue eagle copper"; also that only blue eagle copper could be used in the manufacture of articles for sale to the United States Government.

A number of NRA codes set up a regular procedure for the granting of exemptions from code provisions in the event of import competition. Authority was granted to sell below cost to meet import competition in a number of codes including mica, clay machinery, cutlery, snap fasteners, file manufacture, and fabricated metal products. In certain other codes, import competition was declared to be a just cause for granting exemption from various specified trade practice provisions.

In connection with the filing of complaints under Section 3 (e) petitioners proposed various types of control of imports. In numerous cases they suggested the restricting of imports to a quota, representing either an absolute figure or a given percentage relationship to the volume of domestic production. The jeweled watch manufacturers requested that imports be limited to a volume corresponding to domestic production. Other petitioners suggested terms and conditions to apply to imports, such as that importers be enjoined from selling below a specified price level. For instance, the Tanning Extract Industry suggested that importers of quebracho should be licensed, and that licensees should agree to sell at a specified price. The Pottery and the Toy and Playthings Industries incorporated in their 3 (e) complaints the suggestion that importers be controlled in a manner to prevent design piracy. Several petitioners asked that importers be required to comply with all provisions of the codes for those industries.

In connection with Executive action arising out of 3 (e) complaints, a fee was super-imposed on the duty rate levied on imports of cotton rugs. Quantitative limitations were imposed on cotton rugs (other than Oriental),

wood-cased lead pencils, and red cedar shingles. The quotas on rugs and pencils were fixed by informal agreements with representatives of the Japanese Government, which undertook to regulate shipments to this market. In connection with shingles, Canadian manufacturers agreed to limit their exports to this market to 25 per cent of domestic consumption, as estimated for stated intervals. Japanese shippers of bleached cotton cloth voluntarily formed an association to control shipments to this market, in anticipation of Executive action pursuant to the 3 (e) complaint filed by the Cotton Textile Institute.

Imports of a number of commodities were controlled in connection with NRA codes by voluntary agreements entered into between the coded industries and agencies engaged in importation outside the jurisdiction of the code. Canadian producers of newsprint entered into a voluntary agreement with the domestic producers to fix prices, but it was short lived. The Canadian producers later signified willingness to enter into another agreement with the coded domestic industry under NRA sanction, but efforts to set up a satisfactory control board were unsuccessful, owing to the opposition of newspaper publishers. British Columbia exporters of timber set up a special sales agency in Seattle, and this agency agreed to limit imports to a quota assigned by the Pacific Northwest Loggers Association.

Scandinavian shippers of woodpulp operated under an understanding with domestic producers as to price for a number of months of the code period; but this broke down as a result of underselling by certain importers. Japanese shippers of pottery voluntarily regulated prices offered to this market. A Japanese association was formed to control exports of cotton textiles.

CHAPTER V. IMPORTERS IN THE CODE SET-UP

Before consideration was given to establishing a policy as to their proper place in the code framework, importers had been included within the jurisdiction of 25 industry codes by specific mention in the definition, notably in the codes for lumber, coffee, mica, bleached shellac, packaging machinery, printing equipment, athletic goods, surgical goods, and jewelry manufactures. In 36 other industry codes the definition was worded in such a manner that importers might be included by implication. Careful examination of all available evidence covering the formulation of these codes raises doubt as to proper representation of importers. The definitions of 59 other coded industries included the manufacture and sale of the industry products, but did not limit such sales to sales by the domestic manufacturers. In the absence of such limitation, the jurisdiction of a number of these codes was interpreted in a manner to include importers.

Considering all imports during the period of code operation, it is estimated that roughly 35 per cent was handled by firms within the prescribed field of the Importing Trade Code, about one-half of which was imported by these firms on a merchant basis, and about one-half as commission agent or broker; another 35 per cent was handled by import firms functioning under other codes; and the balance of 30 per cent was imported by special departments or branch offices of manufacturers and retailers.

When the National Recovery Administration undertook to codify certain domestic trades, numerous import groups joined in a move to propose a separate code to cover importers. While the sponsors of this code would have preferred to cover the whole importing field, they were faced with a de jure situation in which important segments of the general importing business were already covered by special commodity import codes or by related industry codes. The Importing Trade Code definition consequently limited the code field to firms principally engaged in importing merchandise or principally engaged in the selling of imported merchandise to manufacturers, wholesalers, and retailers, with specific exemption of importers of merchandise for their own consumption.

The Code Authority for the general Importing Trade operated efficiently within its prescribed field. Its principal problem was the ironing out of conflicts with other code authorities over matters of jurisdiction. It negotiated a number of agreements with other code authorities designed to harmonize trade practices.

In the form of supplements to the General Importing Trade Code, separate divisional codes were approved for linen importers and for oriental rug importers. Dissensions within the ranks of these divisional groups, and the late date of entry into operation, greatly restricted the achievements of these supplementary codes.

Other codes were approved for the following special importing groups: Imported Green Olives, Imported Date Packing, and Assembled Watches.

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FOREIGN TRADE ASPECTS OF CERTAIN MAJOR CODED INDUSTRIES

PART I. FOREST PRODUCTS

Preliminary Summary of Findings

CHAPTER I. DESCRIPTION OF THE INDUSTRY WITH REFERENCE TO FOREIGN TRADE

In spite of the many estimates that have been made of the world lumber and timber resources, very little is known about even the approximate stands available for commercial exploitation. A recent estimate of the forest areas by grand divisions gave 7,488,000,000 acres as the world total, of which 1,390,000,000 acres were located on the North American Continent. This same estimate mentioned the resources of the United States and Alaska to be 490,000,000 and 106,000,000 acres, respectively, and those of Canada to be approximately 597,000,000 acres.

In 1929 there were more than 35,000 manufacturing concerns located in the United States, which used lumber and timber as primary raw materials. The industry was fourth in the number of wage earners, and ninth in the value of its products, the latter being estimated at $2,000,000,000.

Domestic production and exports of softwoods originate from forests located principally in the Pacific Northwest for Douglas Fir and Western Pine, Spruce, and Hemlock, and in the Southeastern and Gulf states for long and short-leaf yellow pine. Hardwoods are produced and exported largely from forests located in the Appalachian mountains and in the south-central states.

CHAPTER II. THE FOREIGN TRADE OF THE UNITED STATES IN LUMBER AND SAWN TIMBER

The United States ships sawn lumber and timber to 84 different countries. Of these, 8 countries regularly take over 70 per cent of the total. In 1929, the United States led all other exporting countries in the total board feet of sawn lumber and timber exported to world markets. By 1934, the United States had dropped to fifth place, being surpassed by Finland, Russia, Sweden and Canada.

The principal causes for the considerable curtailment in exports of sawn lumber and timber from the United States during the past five years have been the artificial trade restrictions imposed by foreign countries. Especially important have been preferencial tariffs (particularly in the British Empire), heavy customs duties, import quotas, exchange control, monetary manipulation, and open embargoes. Other factors seriously effecting the trend have been the general reduction in consumer buying power, increased foreign competition, and weakness in United States export merchandizing methods.

Softwoods

While lumber exports were 11 per cent of domestic production in 1929, the same exports supplied 20.7 per cent of the world consuming market. In 1932, exports were 13 per cent of the domestic production,

a high point in the industry, but applied only 10.8 per cent of the world market for the year. In 1934, exports were again 11 per cent of domestic production, and supplied 12.3 per cent of the world market.

While the volume of softwood lumber exports has fallen considerably since 1929, domestic production has likewise declined. Domestic production in that year amounted to approximately 28,345,000 thousand board feet, and in 1932 to about 12,735,000 thousand, or a decrease of about 55 per cent. Softwood exports from the United States declined from approximately 3,285,000 thousand board feet in 1928, to approximately 1,387,000 thousand in 1934, or a decrease of not quite 57 per cent. The ratio of exports to domestic production, therefore, remained substantially unchanged - 12 per cent in 1928, and 11 per cent in 1934.

In 1929 softwood lumber imports amounted to 1,643,232 thousand board feet, or 5½ per cent of the softwood domestic production of approximately 20,000,000 thousand board feet. By 1934 softwood imports had fallen to 295,149 thousand board feet, or 2-1/3 per cent of approximately 13,000,000 thousand board feet of domestic production. The 1934 imports were less than 18 per cent of the softwood imports in 1929.

Hardwoods

The United States is the largest world exporter of temporate zone hardwoods - the principal item of which is oak. In 1928, the domestic production of hardwoods amounted to some 5,798,000 thousand board feet, of which approximately 509,000 thousand, or 9 per cent, were exported. In 1934 the domestic production totaled about 2,758,000 million board feet, and the exports some 300,887 thousand board feet, or 11 per cent of the domestic production.

Manufactured hardwood lumber imports into the United States consist almost entirely of insignificant quantities of tropical and sub-tropical hardwoods from Central America and the Caribbean, and some maple, birch, and similar species from Canada. The principal hardwood lumber imports, however, are in the form of logs and squared timbers of mahogany and other cabinet woods from the Caribbean, Central America, the Philippine Islands, and the Orient.

CHAPTER III. FOREIGN TRADE IN OTHER LUMBER PRODUCTS

Of the remaining manufactured and semi-manufactured lumber and timber products important in the foreign trade of the United States, cooperage, box shooks, hardwood flooring, ply-woods and veneers, and ply-wood doors, are leading exports. Box shooks and cooperage exports have declined considerably since 1929, on account of the exchange control regulations and other restrictions imposed by the leading purchasing nations. Ply-wood exports increased from 33,381,000 square feet, valued at $1,642,000, in 1929, to 61,621,000 square feet, valued at approximately $1,700,000, in 1934. The exports of manufactured doors declined from some 2,140,000 units, valued at $3,987,000, in 1929 to 1,476,000 doors, valued at $1,678,000, in 1934.

Leading imports of manufactured and semi-manufactured lumber and timber products consist of poles, pulp wood, pulp, paper, and shingles. Shingles imports, which consist mainly of red cedar shingles from British Columbia, declined slightly from 167,288,000 board feet in 1929, to 110,094,000 in 1934.

CHAPTER IV. THE LUMBER CODE AND FOREIGN TRADE

Article VIII of the Lumber and Timber Products Industry code provided for the allocation of combined domestic and export quotas to domestic producers by the divisional and sub-divisional code authorities. The industry through amendments sought revisions of the code to establish export prices, and the NRA sought to modify the inclusion of export production in domestic quota allocations; but differences in opinion prevented the approval of these proposals.

In the case of divisions or subdivisions the raw material of which is imported, Article VIII of the Code provided for the establishment of quotas and allotments in terms of imports. In accordance with this provision a system of import control was set up for the mahogany and Philippine mahogany subdivisions. In this connection proposals were made for modifications - which, however, were not adopted because of differences of opinion.

In view of the general increase in the United States export trade in sawn lumber and timber since 1932, and particularly during the period of production-export control and "cost protection" regulations, it might be concluded that the operations in the industry were not affected by the code. It should be recognized, on the other hand, that this control was mainly effective because the domestic market was so highly protected against competition from imports; and on the other, that there was a minimum of control over the same industry as regards the substantial proportion of its production destined for export.

At the same time it should be equally recognized, nevertheless, that the domestic industry did not increase its exports to world consuming markets to the extent of its foreign competitors, so that there remains the possibility that the stabilizing factor of code control, particularly in view of increasing costs, may have created a competitive disadvantage, which would not have been encountered but for the limitations imposed by the code.

In contrast to sawn lumber and timber, with its limited export quota allocation, the case of douglas fir doors was indicative of the problem arising in subdivisions without any export control. Douglas fir doors, under the subdivisional code, had a highly protected domestic market, but no control in any form over exports. There followed cutthroat competition for export business, and price-cutting was freely indulged in in order to reduce the overhead of both domestic and export producers. This culminated in the imposition of dumping duties in several foreign countries.

CHAPTER V. THE NEWSPRINT INDUSTRY AND FOREIGN TRADE

Changes in World Production, 1929-1933

From 1929 to 1932, the world production of newsprint decreased 14.1

per cent, due chiefly to a sharp decline in Canada, the United States, and Germany. Production in Sweden and Japan during the same period declined a relatively small amount. On the other hand, production showed a remarkable increase in England, Finland and France, and substantial increases occured in Newfoundland and Norway. However, the countries showing increases constituted only 20.6 per cent of world production in 1929, and 28.5 per cent in 1932. The United States and Canada, which together produced in 1929 56.4 per cent, and in 1932 46.6 per cent of the world production, lost during the period 2.9 per cent and 6.9 per cent, respectively.

The Industry in the United States

The newsprint industry in the United States in 1934 was composed of twenty-five companies operating principally in the States of Maine, New York, Oregon, Minnesota, Wisconsin, and Washington, with an estimated aggregate capital investment of about 300 million dollars. In June, 1933, it employed 6,560 persons, with an annual payroll of $7,150,000. In 1929 production was 1,409,000 short tons; while imports, mostly from Canada, were 2,423,000 short tons. Domestic consumption in 1933 approximated 2,729,000 short tons, of which the United States produced 946,000 short tons, and of which 1,794,000 short tons were imported principally from Canada.

The Industry in Canada

In 1934 there were approximately 24 Canadian companies engaged in the manufacture of newsprint. Production in 1929 was 2,729,000 short tons, of which 2,195,000 short tons or 80.4 per cent, were exported to the United States. In 1933 Canada produced 2,017,000 short tons, of which 1,545,000 short tons, or 76.6 per cent, were exported to the United States. Although no official figures are available, the Department of Commerce has estimated that in 1930 over 400 million dollars of United States capital was invested in the Canadian paper and pulp industry as a whole. This is over 50 per cent of the 794 million dollar capital investment in that industry.

United States Consumption

In 1929, the United States consumed about 52 per cent, or 3,813,000 short tons, of the total world production of 7,308,000 short tons; and in 1933 it consumed 2,831,000 short tons, or 45 per cent of a world production of 6,275,000 short tons.

In 1929 the domestic production constituted 36.7 per cent of the domestic consumption, whereas imports were 63.3 per cent. Of this latter, Canada and Newfoundland supplied 2,327,000 short tons, or 96 per cent. Domestic production in 1933 was 34.7 per cent of total consumption, while imports rose relatively to 65.3 per cent, with Canada and Newfoundland supplying 91.4 per cent.

The consumption of newsprint rose steadily to 1929, when it reached a peak of 3,813,000 short tons. It then declined progressively to a total of 2,711,000 short tons in 1933 - a drop of 29 per cent during that period. End of the year stocks at the mills, at publishers and in transit in 1930 were 3,399,000 short tons. For 1933 the same figures were 2,567,000 short

tons - a reduction of 24.5 per cent.

For 1928, the latest year for which data are available, the distribution of newsprint consumption among states was: New York, 22 per cent; Illinois, 12 per cent; Pennsylvania, 9 per cent; Massachusetts, 6 per cent; California, 6 per cent; Ohio, 5 per cent; Michigan, 5 per cent; Missouri, 4 per cent; Tennessee, 3 per cent; Minnesota, 2 per cent; Indiana, 2 per cent; Texas, 2 per cent. The consumption in this group of 12 states amounted to over 75 per cent of the total consumption in the United States. Although the total consumption of newsprint in 1933 was less than that of 1928, it is probable that the percentage relationships have not greatly changed.

United States Production and Trade

Exports of newsprint from the United States are negligible, amounting to 19,000 short tons in 1929, and to only 11,000 short tons in 1933.

Production in the United States since 1926 has declined each year. The total decline from 1926 to 1933 was 44 per cent. Imports, on the other hand, increased approximately 30 per cent from 1926 to 1929. Thereafter they declined, and in 1932 and 1933 were about 3 per cent less than imports in 1926. Nevertheless, with the exception of the year 1932, the ratio of imports to domestic production, based on annual figures, increased steadily throughout the period 1926 to 1933. It rose from 110 per cent in 1926 to 175 per cent in 1929, to 178 per cent in 1932, and to 190 per cent in 1933.

Standard newsprint is imported into the United States free of duty, under the Tariff Act of 1930. In recent years Canada has supplied 85 to 90 per cent of the total imports. From 1929 to 1933 there was a slight increase in the relatively small percentages coming from Sweden, Finland, and Germany. Based on 1929 statistics, about 90 per cent of the newsprint produced in Canada was exported, and 80 per cent of this was shipped to the United States. Eighteen per cent of the newsprint exported from Sweden and 15 per cent of the exports from Finland were also shipped to this country.

Effect of the Newsprint Code

The domestic Newsprint Industry's Code was approved November 17, 1933. Data submitted by six individual companies indicated that the total costs of operations increased approximately 22 per cent in the period between June-November 1933, and December 1933, through May 1934 - before and during code operation. It was likewise indicated that the percentage of labor to total costs was 12.95 before the code, and 13.6 after the code became effective. Over the same interval employment was shown to have increased 13 per cent; average hours per week to have decreased 12 per cent; the average weekly wage to have increased about 1 per cent; and the average hourly wage to have increased 1.5 per cent.

Important Competitive Factors

Of particular significance in the competitive relationship between the United States and Canadian newsprint industries has been the rapid

expansion in the latter country. This has been mainly due to the fact that extensive tracts of timber and an abundance of advantageous water power sites have been available to producers in Canada, under Government lease and at a comparatively low capital cost. The situation in the United States, on the other hand, has been that substantially all sites affording sufficient supplies of timber and water power have been available only at a capital cost considerably greater than in Canada.

From 1926 through the first three quarters of 1932, newsprint prices fell less than the general wholesale price. After the first quarter of 1933, however, newsprint did not share in the general rise in wholesale prices. The average unit values of imports were only slightly below domestic prices, and the addition of transportation and selling costs would apparently have brought the net price to the consumer up to or above the level of the domestic price. While the base price of newsprint in the United States declined 65 per cent from 1929 to 1935, the average unit value of imports over the same interval declined less than 42 per cent.

The competitive position of the domestic newsprint industry, insofar as it was affected by the currency situation, was substantially better after the Code went into effect than it was from September, 1931, to April, 1933. The dollar value of the currencies of Canada, Sweden, and Finland averaged about 12 per cent, 30 per cent, and 40 per cent, respectively, below the par for the year 1932. Later in 1933, however, the currencies of Canada and Sweden returned almost to par, and that of Finland to within 10 per cent of par.

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FOREIGN TRADE ASPECTS OF CERTAIN MAJOR CODED INDUSTRIES

PART II. COTTON TEXTILES

Preliminary Summary of Findings

CHAPTER I. POSITION OF THE UNITED STATES IN THE WORLD COTTON TEXTILE TRADE

In recent years the per capita consumption of cotton textiles for apparel purposes, particularly in the countries of the world with low standards of living, has been declining; the development of synthetic textiles and the relatively lower price of silk have been factors in this trend. The use of cotton for industrial purposes has increased greatly in the last decade.

The indices of activity in the cotton spinning industries show great variations from country to country. It is clearly apparent, however, that activity in the United States, the United Kingdom and France shows a considerable decline over the 1925-1929 average. On the other hand, activity in Japan, India, and certain less important producers is above that of the base period. The same situation is true of activity in the cotton weaving industries of those countries.

CHAPTER II. DESCRIPTION OF THE DOMESTIC INDUSTRY WITH REFERENCE TO FOREIGN TRADE

In the United States, cotton has maintained its relative position in the consumptive demand for textile fibers only because of the increasing requirements in agricultural and industrial fields. Attempts to alleviate the unsatisfactory conditions in the cotton growing states due to the great decline in the value of raw cotton - especially since 1929, has resulted in the adoption of crop reduction programs, processing taxes, and loans by the Federal Government. The effect of these policies upon consumption and foreign trade, though widely debated, is still far from being known.

In 1909 approximately 27 per cent of the total value of the foreign trade of the United States was in textile materials and manufactures; in 1934, textiles accounted for only 18 per cent. Cotton textiles made up 18 per cent of our total foreign trade in 1909, and 12 per cent in 1934. Foreign trade in cotton textiles represented 85 per cent of the trade in all textiles in 1909; and in 1934 it accounted for 68 per cent.

Prior to the World War imports of cotton manufactures exceeded exports. The export excess of 405 million dollars in cotton materials in 1909 reached a peak of 1,078 million dollars in 1929; it declined to 789 million dollars in 1927, and to 368 million dollars in 1934. As regards cotton manufactures, there was an excess of imports over exports amounting to 32 million dollars in 1919; this changed to an export excess of 213 million dollars in 1919, which fell to 72 million dollars in 1927 and to only 10 million dollars in 1934.

Although cotton manufactures form an important segment of our foreign trade, exports constitute only a very small part of domestic production, and imports supply a still smaller percentage of domestic consumption. When narrowed down to main product classifications, the competitive situation is generally that each of the leading supplying nations exports certain specialties not produced in or not exported to the countries of destination to any great extent by other countries.

CHAPTER III. FACTORS IN FOREIGN COMPETITION

The Tariff Act of 1930 increased some of the duties on cotton manufactures, but, in general, the increases were smaller than in any other groups. The equivalent ad valorem rate on imports of all cotton manufactures (not including yarn or coated fabrics) was 52 per cent in 1934. Most of these rates are on an ad valorem basis; therefore, price changes do not complicate the determination of equivalent rates. The equivalent rate on yarn has been about 33 per cent since the enactment of the last Tariff Act.

The principal cotton manufactures which are imported into the United States are cotton, gloves and mittens, and floor coverings. Although cloth is the chief item except in a few yarn count ranges, recent imports have not been of great direct competitive importance. In 1933 the United States Tariff Commission found that the leading imports which were substantial and more or less directly competitive with domestic production were tapestries and upholstery cloths, machine-made laces, embroidery specialties, machine-embroidered wearing apparel, floor coverings other than hit-and-miss and chenille, lace window curtains, and ornamented handkerchiefs. There was a considerable range of imported products in which there was some domestic production, but the bulk of the consumption was supplied by imports. There was still a higher quality range of products in which there was no domestic production - the consumption being almost entirely supplied by imports.

The most significant change in recent years has been the decline in importance of the United Kingdom as a source of United States imports. In 1923 one-half of the total value of imports came from that country; in 1934 less than 20 per cent. The relative positions of Germany and France in 1934 (second and third sources respectively), have not varied greatly since 1923. Germany accounted for 19 per cent of the total in 1934, and France 12 per cent. Japan and Italy are relatively more important sources now than in the period 1923-1927. Due to the development of the embroidery industry in the Philippine Islands, the imports from that source have been steadily increasing.

CHAPTER IV. THE FOREIGN TRADE BY PRINCIPAL ITEMS

Cotton cloth, including duck, constitutes the largest single item of domestic export of cotton manufacture. Exports of wearing apparel are likewise important. Hosiery, formerly an important export item, has declined greatly. In most instances larger percentages of production were exported in 1929 than in 1923. The percentage of domestic production of the most important exports have been as follows during the years indicated: cotton cloth, including duck, 1929, 7.3 per cent, 1933, 4.1 per cent;

hosiery, 1929, 10.7 per cent, 1933, 1.4 per cent; towelings, 1929, 7.2 per cent, 1933, 1.1 per cent; counterpanes, bedspreads, etc., 1929, 4.3 per cent, 1933, 1.4 per cent; blankets, 1929, 3.6 per cent, 1933, 1.4 per cent.

The Code for the Cotton Textile Industry, approved July 9, 1933, was the first code to go into effect. The trend of imports and exports of most of the principal woven fabrics from six months before this date to the corresponding period a year later is shown in the following tabulation:

Commodity		Percentage change for six months ending June 30 as compared with corresponding period of previous year					
		Quantity basis			Value basis		
		1933	1934	1935	1933	1934	1935
Cotton cloth (including)	Imports	+14	+13	+49	+ 8	+41	-10
	Exports	- 8	-34	-24	-16	+ 7	-25
Tire fabric	Imports	Negligible imports					
	Exports	-63	+79	+ 8	-51	+158	+ 0
Tapestries and other Jacquard-figured upholstery cloths	Imports	Not available			-33	+32	-10
	Exports	-11	+154	+231	-19	+139	+154
Pile fabrics and manufactures -							
Velvets and velveteens	Imports	-47	+80	+1142	-41	+10	+427
Other pile fabrics	Imports	Not available			-39	-29	-25
Pile fabrics, plushes, velveteens, and corduroys	Exports	-39	-5	+11	-36	+21	+20
Table damask and manufactures	Imports	Not available			-16	+46	-14
Damasks	Exports	+66	-2	+10	+36	+39	+ 2
Fabrics sold by the pound 1/	Exports	-31	-21	-10	-52	+ 7	- 1

1/ No corresponding import classification.

There were two of proceedings covering cotton manufactures under Section 3 (e) of the National Recovery Act: (1) Cotton floor coverings, and (2) Bleached cotton cloth. Fees were imposed on the importations of chenille, imitation oriental, and cotton floor coverings, in April, 1934. In addition, Japan voluntarily agreed to limit the exports to the United States of chenille, hit-and-miss, and "other" cotton floor coverings. The fees were removed in June, 1935, after the Supreme Court's decision on the constitutionality of the NRA. The investigation with respect to imports of bleached cotton cloth from Japan had not been completed before that decision.

The index of exports of cotton finished manufactures stood at 27 in 1934, based on the 1923-26 average. The index of exports of all finished manufactures was 155 in 1921, 38 in 1933, and 54 in 1934. In contrast, that of exports of cotton finished manufactures was 91, 26, and 27 in those same years. In 1934, about two-thirds of the total exports of cotton manufactures were cotton cloth. In the period 1923-1928 this proportion was somewhat less than this. It is apparent, then that exports continue to be mainly of standard products produced in large quantities by machine methods, which find markets in countries not yet highly developed industrially. Canada is the exception.

Cuba, Canada and the Philippine Islands have been the three most important markets for our exports of cotton manufactures. In 1923 the three accounted for about 40 per cent of the total to all countries, and in 1934 about 50 per cent. The Ottawa agreements of 1934 established rates of duty more substantially preferential to the United Kingdom. Exchange difficulties have been the principal factor leading to restrictions upon the payment for merchandise shipped - particularly to countries with which the United States has had an "unfavorable" trade balance.

The confused situation in world currencies since 1930 is so tied up with the other factors influencing international trade in cotton manufactures that it is hard to segregate it. In general, exports from countries with stable currencies have declined to a greater extent than those from countries which have left the gold standard or otherwise depreciated. Undoubtedly the depreciation of the Japanese yen in 1931 was one of the factors greatly facilitating exports. It fell to two-fifths of the former parity with the dollar, but recovered to three-fifths after the United States abandoned the gold standard.

FOREIGN TRADE ASPECTS OF CERTAIN MAJOR CODED INDUSTRIES

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FOREIGN TRADE ASPECTS OF CERTAIN MAJOR CODED INDUSTRIES

PART III. AUTOMOTIVES

Preliminary Summary of Findings

CHAPTER I. HISTORY AND GROWTH OF FOREIGN TRADE

In the early stages of the development of the automotive industry France and the United States were close rivals for leadership. Beginning about 1910, with the introduction of mass production methods, the United States quickly advanced to first place. From 1916 through 1929, 80 to 85 per cent of the annual world output of passenger cars and trucks was the product of factories located in the United States.

CHAPTER II. WORLD TRADE DURING THE DEPRESSION

The decline in the United States share of the world market was not alone due to the general depression affecting all countries. Of far greater effect was the artificial direction of trade between nations, which were forced to encourage self-sufficiency and to restrict their purchases mainly to countries purchasing from themselves, in order to avoid the devaluation of their currencies through the shipment of gold in settlement of their already adverse balances of payments. The foreign import restrictions which were particularly aimed at such luxuries as passenger automobiles (still so-considered outside the United States), took the form of heavy tariffs, high internal taxes, and severe controls over foreign exchange.

In 1929 the United States automobile industry produced 85 per cent of the world output of automotive products; in 1932, 69.2 per cent; and in 1933, 71.1 per cent. During the same time interval, the United Kingdom increased its share in the total world production from 3.8 per cent to 10.3 per cent; and France from 4.2 per cent to 7.1 per cent. The respective shares of Italy and Germany from 1929 through 1933, increased only slightly. Declines were registered for Canada, Austria, Belgium, and others. Preliminary figures for 1934 indicated that both Russia and Japan were fast becoming important producers in automotive products.

While automotive production for export increased from 1929 through 1933 in the United Kingdom and France, the ratio of exports to production in this country declined from 13.7 per cent in 1929 to 10.1 per cent in 1932, and to 9.2 per cent in 1933.

CHAPTER III. SUMMARY OF UNITED STATES FOREIGN TRADE

The total value of the United States foreign trade in automotive products declined from approximately $540,000,000 in 1929, to $77,000,000 (the low point) in 1932. In 1933 it increased to about $91,000,000; and in 1934 it then almost doubled to approximately $188,000,000.

Imports of automotive products into the United States have always been insignificant in comparison to domestic production. In passenger cars, for example, the greater part of the imports probably consist of second-hand American made cars returned from Canada, Cuba, and Mexico. The tariff rate applied on imports is nominal, the domestic industry never having sought protection. The chief countries of origin of imports of assembled new passenger automobiles are Great Britain, France, Belgium, Germany, and Italy. Imports are usually restricted to a limited number of high-priced cars having prestige on account of the trade name or special qualities in design or performance.

Imports of automotive products in recent years have consisted mainly of replacement parts or parts for assembly. Imports of completed vehicles have declined steadily. The number imported in 1929 was 741, valued at $1,180,000; and in 1934 it was 585 units valued at $185,500. In 1929 the value of imports of replacement and assembly parts was approximately $2,284,000; and in 1934, about $175,000.

In 1929 there were 537,466 completed vehicles and chassis, valued at about $346,500,000, exported from the United States. In that same year, the value of the exports of replacement and assembly parts amounted to approximately $193,000,000. In 1932, the low year in the industry, 131,315 completed vehicles and chasis were shipped abroad, valued at approximately $35,700,000. The value of the exports of replacement and assembly parts in 1932 was about $41,000,000. Exports of completed vehicles and chassis increased from 108,283, valued at $52,363,000, in 1933, to 238,441 units, valued at about $123,000, in 1934. The value of replacement and assembly parts exported in 1932 was approximately $38,418,000 - in 1934 about $64,000,000.

The ratio of exports to domestic production of passenger cars reached its peak of 11.3 per cent in 1927. The decline was uninterrupted through 1933 when the ratio stood at 6.2 per cent. In 1934 it had increased only slightly from the 1935 figures (6.6 percent). The peak year for trucks was 1929, when exports amounted to 36.9 per cent of the domestic production. The ratio declined to only 15.8 per cent for 1934.

The Dominion of Canada and the countries of the British Empire have been the chief export market for the American automotive products. Since the high point, 1928-29, two changes have been evident: (1) the increasing relative importance of countries other than those of the British Empire, largely as a result of the Ottawa conferences and (2) the relative increase in parts as compared with finished cars. Parts and chassis are mainly shipped abroad to American-owned branch factories and assembly plants.

An important factor which may preclude the United States industry from regaining its former share of the world market is the wide divergence in the types of cars now being produced abroad, as a direct result of the encouragement by foreign governments of national self-sufficiency. This is particularly manifest in changes in construction and design. The trend in the United States on one hand is for more cylinders and higher horse-power, and in Europe, on the other, to smaller cars with less horsepower.

The decline in the United States exports of assembled automotive products has been in large measure due to the establishment of branch factories and assembly plants, necessary to escape the trade restrictions imposed by foreign nations. Should these barriers be once more relaxed, it is unlikely that the plants and factories will again be closed. Local laws in many countries have made it necessary for American manufacturers to establish subsidiary companies, in which certain proportions of local foreign capital are employed. By this method foreign governments have increased their interests, and the American manufacturers have lost a corresponding amount of autonomy. The lack of highways and high fuel costs continue to restrict the expansion of our exports to many areas.

In the absence of code provisions directly relating to exports and imports, and in view of the marked decline in the unit value of cars and trucks produced during the period of operation under the code, it may be assumed that the Recovery Program did not hinder the domestic industry from taking full advantage of both foreign and domestic opportunities, whenever they became available. Coincident with the institution of the NRA the demand for automotive products, both in this country and abroad, began to improve.

CHAPTER IV. FOREIGN EXCHANGE

The high rates of dollar exchange in a number of countries in the early stages of the depression served greatly to accentuate the difficulties of foreign distributors and consumers in purchasing American automobiles. Severe control measures caused our exports to Australia, Argentina, Brazil and Spain to decline. The devaluation of the dollar early in 1933 operated to facilitate the resumption of exports to some extent.

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THE ADMINISTRATION OF SECTION 3 (e) OF THE NATIONAL RECOVERY ACT.

Preliminary Summary Of Findings

CHAPTER I. CONDITIONS NECESSITATING A TARIFF SECTION IN THE ACT

The section of the Tariff Act of 1930 which provided for changes in existing rates of duty by executive authority was not considered adequate to meet the emergency conditions expected to prevail in connection with the program of recovery provided in the National Industrial Recovery Act, for the reason that only such changes could be made as might be found by investigation of the Tariff Commission to be necessary to equalize differences in the costs of production of domestic articles and of like or similar foreign articles produced in the principal competing country. This view was based primarily upon the extreme difficulty of ascertaining foreign and domestic costs during a period of rapid changes in costs, prices, and the exchange value of currencies.

Other sections of the Tariff Act were considered inadequate because of the relatively narrow limits of their application. The Anti-Dumping Act provided only for the imposition of special duties when the purchase price or foreign exporter's sales price was less than the foreign market value.

During the time when the Recovery Act was being considered in Congress the view was expressed both by government officials and by representatives of industry that the effectiveness of the program projected under the Act, involving increased prices and costs of production, would be greatly restricted, if not destroyed, unless there were some provision giving the President authority to restrict imports, which would be in competition with domestic producers obliged to comply with codes fixing maximum hours of labor, minimum wages, etc. Accordingly Section 3 (e) was adopted as an amendment, providing for broad discretionary executive authority to impose fees, quantitative limitations, or other terms and conditions on imports. It was stated that the amendment was intended to give the President the same authority over imports that he was assuming over domestic production.

CHAPTER II. ORGANIZATION AND PROCEDURE FOR HANDLING COMPLAINTS UNDER SECTION 3 (e)

An Imports Division was established in NRA by Office Order No. 33 to handle all requests under Section 3 (e), and to formulate reports and recommendations to the President with respect thereto.

The practical problem of administration made it necessary to require that requests for investigations be supported by specific facts. Accordingly, Office Order No. 37 was issued, containing a schedule of information designed to assist in the presentation of concrete statistical evidence in support of complaints, including:

(a) A statement of evidence of compliance with Title I.

(b) Description and tariff treatment of the commodity.

(c) Course of production, exports and imports during recent years.

(d) Employment and payroll data for the entire industry and the section competitive with imports.

(e) The trend of prices.

(f) Costs of production prior to and following the adoption of NRA codes.

In practice, the requirements of Office Order No. 37 were administered with a sympathetic consideration of the problems of industries, particularly of small unorganized industries.

In general, the procedure followed in handling complaints under Section 3 (e) may be summarized as follows:

(a) Preliminary conversations or correspondence with complainants for the purpose of assisting in the preparation and presentation of an adequate body of essential information.

(b) The determination of compliance by checking the status of complainants under codes or agreements.

(c) The review and checking of information submitted in support of complaints.

(d) Supplementary research and investigation, including principally the assembly of information from other governmental agencies, from importers, and from such published or other sources as might be available.

(e) The preparation of surveys of information based on all available data.

(f) A special arrangement with the Agricultural Adjustment Administration for the handling of complaints involving agricultural products

(g) The formulation of draft-reports to the President, recommending that either the complaints be dismissed, or that they be referred to the Tariff Commission for further investigation.

Executive Order No. 6353 of October 23, 1933, specified that when directed by the President, the United States Tariff Commission should make an immediate investigation, giving it precedence over all other matters, that it should give public notice and hold a public hearing, should make its findings of facts and recommendations to the President, and should transmit a copy of its report to the Administrator for Industrial Recovery. Section 5 of that Order directed that the Administrator recommend to the President, on the basis of the findings and recommendations of the Tariff Commission, such action as he might deem best devised to effectuate the policy of Title I of the National Industrial Recovery Administration.

CHAPTER III. COMPLAINTS UNDER SECTION 3 (e)

The correspondence and interviews of the Imports Division relative to import competition or to other foreign trade problems covered over 400 separate commodities.

The Imports Division received informal complaints involving 104 commodities. The problems covered by these complaints varied in character, and accordingly necessitated a varying amount of investigation and correspondence. These complaints were not presented in accordance with the prescribed procedure, and consequently no formal action was taken in respect to them.

Of the sixty-eight formal complaints received by the Imports Division, fourteen were submitted only partially in accordance with the prescribed procedure. In these cases, the limited data available either indicated clearly that no basis for action existed or that they were entirely insufficient to establish a prima facie case for action.

Fifty-four formal complaints were received in accordance with the prescribed procedure, and were supported by information indicating the existence of problems of competition sufficient to justify at least a preliminary investigation.

Of the fifty-four complaints which were made the subject of preliminary investigation by the NRA, seventeen were recommended for further action, seven were dismissed, and eight were withdrawn by complainants after preliminary investigation by the Imports Division.

Twenty-one cases were pending at the time of the Supreme Court's decision in the Schechter case, May 27, 1935; of these several had only recently been received.

Of the seventeen cases recommended for further action, relief was granted with respect to four, and approved with respect to one; five were dismissed after investigation by the Tariff Commission and seven were pending before the Tariff Commission.

The 54 investigated complaints under Section 3 (e) were classified as follows by industry groups: foods and kindred products, 5; textiles and their products, 16; forest products, 4; paper and allied products, 2; chemicals and allied products, 7; products of petroleum and coal, 1; rubber products, 3; leather and its manufactures, 1; stone, clay, and glass products, 1; iron and steel and their products, not including machinery, 2; non-ferrous metals and their products, 5; and miscellaneous, 7.

The 54 cases were classified as follows by economic classes: crude materials, 1; crude foodstuffs, 1; manufactured foodstuffs, 4; semi-manufactures, 18; and finished manufactures, 29.

Fifty-one cases, for which reasonably adequate data were available, involved 3,300 individual establishments in industry groups having a total domestic output in 1933 amounting to $995,000,000. The portion of these same groups of industries which was alleged to be in direct competition

with imports, involved 1,600 individual establishments having an annual output in 1933 amounting to $350,000,000.

Reasonably accurate information regarding the number of employees and payroll is available for only 38 complaints. These included industries employing over 500 persons, with a payroll of $300,000,000 in 1933; and of these, roughly, 95,000 with a payroll of $69,000,000 were alleged to be engaged in producing articles in direct competition with imports.

CHAPTER IV. ANALYSIS OF THE COMPETITIVE POSITION OF CODED INDUSTRIES INVOLVED IN COMPLAINTS INVESTIGATED UNDER SECTION 3 (e)

The formal complaints under Section 3 (e) involved 62 separate paragraphs of the Tariff Act of 1930.

Twenty-three formal complaints were, at the time of filing, based upon adherence to the PRA; the remaining 31 were based upon adherence to approved NRA codes.

The Height of duties (ad valorem and equivalent) provided in the Tariff Act of 1930 for commodities which were the subject of formal complaint may be summarized as follows: Free of duty, fifteen; under 25 per cent, ten; 26 to 50 per cent, twenty; 50 to 75 per cent, fourteen; 76 to 100 per cent, four; 100 per cent and over, four.

Of the 37 industries involved in complaints under Section 3 (e), for which production data were available for periods before and following adherence to codes or agreements, 14 showed a decline in production ranging from one to 69 per cent; of these, four had declined 10 per cent or less; five, from 11 to 25 per cent; four, from 26 to 50 per cent, and one, over 50 per cent. Twenty-three showed increases ranging as follows: 10 per cent or less, seven; 11 to 25 per cent, eight; from 26 to 50 per cent, two; from 51 to 70 per cent, four; one, 121 per cent and one, 237 per cent.

Of the 32 industries for which employment data were available, seven declined as follows: four, under 10 per cent; one, 13 per cent; one, 27 per cent, and one, 35 per cent. The remaining 25 increased as follows: three 10 per cent or less; ten, 11 to 25 per cent; nine, 26 to 50 per cent; three, 51 to 80 per cent.

Of the 32 industries for which wage data were available, hourly wages declined in two cases and weekly wages in six cases. The declines in hourly wages were 1-1/2 per cent and 24 per cent, respectively, and the declines in weekly wages were less than 10 per cent in four cases; 12 per cent in one case, and 24 per cent in another. The 30 increases in hourly wages were as follows: six cases, 10 per cent or less; fifteen cases, 11 to 25 per cent; four, from 26 to 50 per cent; and four, from 51 to 75 per cent and one case, 112 per cent. The 24 increases in weekly wages were as follows: eight, 10 per cent or less; twelve, 11 to 25 per cent; and twenty-four, 11 to 25 per cent; and twenty-four, 26 to 40 per cent.

The changes in costs following adherence to codes or the President's Reemployment Agreement by eight industries, covering eighteen commodities for which cost data have been summarized, were as follows:

Material costs: seventeen items increased an average of 29 per cent; and one item decreased 0.9 per cent.

Labor costs: sixteen items increased an average of 31 per cent; and two items decreased an average of 2-1/2 per cent.

Expenses or overhead: Eight items increased an average of 20 per cent; six items decreased an average of 18 per cent; and four items remained unchanged.

Total costs: Thirteen items increased an average of 28 per cent and five items decreased an average of 7-1/2 per cent.

A preliminary survey indicates that the percentage increase in selling prices was greater than the increase in total costs of production in 70 per cent of the cases for which comparable data are available. The average unit value of imports rose more rapidly than domestic selling prices in about half of the cases, and less rapidly in the remainder.

The fifty-four investigated complaints involved eighteen different countries as principal suppliers of the commodities named in the petition for relief. Japan was the principal source of imports in twenty-two cases and Canada was next to importance, being the principal source of imports in four cases.

The substantial increase in costs of production during the recovery program, generally speaking, was more than offset by the depreciation of the dollar. In most of the cases devaluation increased the dollar cost of imports more than enough to compensate the effects of the Recovery Program. Exception should be made of those cases involving Japan as the source of imports, for the reason that the exchange value of the yen declined to an even greater extent than did that of the dollar.

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LEGAL ASPECTS OF FOREIGN TRADE REGULATION UNDER THE ACT

Preliminary Summary of Findings

CHAPTER I. BRIEF SUMMARY OF LAWS AFFECTING FOREIGN TRADE

Prior to the National Industrial Recovery Act, the so-called Anti-Trust Laws regulated the entire field of interstate and foreign commerce, the Sherman Act prohibiting combinations in restraint of trade, and the Federal Trade Commission and Clayton Acts prohibiting, respectively, (1) unfair methods of competition, and (2) price discriminations, "tying" contracts, monopolies, or interlocking directorates.

A limited exemption from these laws was granted by the Export Trade Act to associations engaged solely in the business of exporting.

Section 5 of the National Industrial Recovery Act, creating an exemption from the provisions of the Anti-Trust Laws, was limited to those actions which were required to be performed by a code provision. In effect this Section limited the operations of the Federal Trade Commission to those instances in which "unfair methods of competition" coincided with code standards. The provision had little effect upon the Export Trade Act, however, since "export associations" were not codified, and continued to register with the Federal Trade Commission in order to obtain the benefit of the Export Act.

The importing phase of foreign trade, however, enjoyed no such exemption, and was subject, in addition, (1) to the provisions of the Wilson Tariff Act, specifically applying the Sherman Act to importing combinations; (2) the Anti-Dumping Act, providing for additional or dumping duties when the invoice value of any import, whether free or dutiable, was less than the usual wholesale price in the country of origin, and (3) the Tariff Act of 1930. The latter levies duties at an average rate of 50 per cent upon a little over one-third of our total imports, and contains certain other regulations viz: Section 303, providing that foreign bounties on dutiable imports may be equalized by imposing a countervailing duty; Section 336, providing that duties may be raised or lowered when shown not to equalize the difference between the foreign and domestic costs of production; Section 337, providing that the privilege of importation may be denied to persons using methods of competition which are illegal and which restrain, destroy or injure domestic trade.

CHAPTER II. LEGAL PROBLEMS CONSIDERED BY CONGRESS IN FORMULATING SECTION 3 (e) OF THE ACT

Since one objective of the Recovery Program was to raise the domestic price level and to establish certain standards throughout the whole of industry, the possible insufficiency of existing tariff measures was considered by Congress. The following views were expressed:

1. The President should be given authority to embargo imports (as in the Black-Connery 30-hour week bill), in order to preserve the

American market for the American producer.

2. The question of Tariff regulation was entirely foreign to legislation designed primarily to solve a domestic problem.

3. The objective of the Recovery Program could not be attained unless the President had authority to deal with imports not produced under code "standards".

4. Such authority was provided in Section 3 (a) in conjunction with Section 3 (b).

No tariff provision was included in the Act as passed by the House, but the Senate Finance Committee proposed an amendment giving the Executive authority to embargo imports. Subsequently, the Senate approved the present Section 3 (e) as a substitute amendment, omitting the embargo feature, but providing broad authority to impose additional fees, quantitative limitations, or other terms and conditions. The sufficiency of the legislative standard was questioned at the same time, but was left undefended.

CHAPTER III. LEGAL ANALYSIS OF SECTION 3 (e)

Section 3 (e) was broader both in the scope of its application and in the basis upon which action was authorized, than any other provision of existing law relating to the import trade. It applied to articles on the free list, as well as those which were dutiable; it incorporated the broad concept of articles competitive with domestic industry as contrasted with like or similar articles, thereby indicating a willingness or intent to base restrictions on both direct and indirect factors of competition; and the action authorized included additional fees, quotas, or other terms and conditions, in whatever amount or character the Executive should find necessary in order that imports might not endanger domestic standards, as contrasted with Section 336 of the Tariff Act, which contemplated merely the equalization of production costs.

By way of limitation, there were certain conditions precedent to an action under Section 3 (e). Apart from the fact that the President might act on his own motion, the Section was available only to organizations which had complied with Title I, thereby insuring the representative character of the complaints. Moreover, the Section was not applicable unless articles were being imported in substantial quantities or increasing ratio to domestic production, and on terms endangering the maintenance of a code standard. Mere threat of importation or possible danger was not sufficient.

When a complaint complied with these conditions, the Section further required, an investigation and findings of fact by the President, after which he was authorized to specify the use of any one or more of the prescribed restrictions in such degree and combination as appeared necessary.

Two Constitutional questions are presented in Section 3 (e) which might have been decided adversely even had the Supreme Court, sustained

the Recovery Act in the Schechter Case.

The first question involves the sufficiency of the legislative standard contained in the following quotation, "the entry thereof (the imports) shall not render or tend to render ineffective any code or agreement."

Apart from this standard, the President was unrestricted in his choice of the particular measure or measures to be used, and the relative use of each. This choice of the President appears to involve the exercise of opinion, and if this is so, the Section contains a delegation of legislative authority and is unconstitutional.

The second legal question involves the right of Congress to impose fees for the purpose of regulation. One line of cases sustains this right (the prohibitive tax on olemargarine), while the other view denies the right (the second Child Labor Decision). There is only the opinion of the Court as to what factors cause an article to be harmful or infurious, to distinguish between these two views.

The identical question involved in the use of fees for the purpose of regulating imports in the interest of domestic production, is also presented in the processing-tax and coal-tax cases, which the Suprene Court will decide shortly.

CHAPTER IV. CODE REGULATION OF FOREIGN TRADE UNDER SECTION 3 (a)

The function of the Executive under the Act was limited, and within these limits a pattern of action was prescribed, with the result that action enlarging these limits exceeded the delegated authority, and action not conforming to the pattern involved a misuse of authority.

Code regulation of foreign trade (Section 3 (a) , by reason of a mass of conflicting provisions and exemptions, can only be appraised by relating the action taken to the limits and principles prescribed in the organic Act.

In any construction of the Act as applied to foreign trade, account must be taken of Section 7 (d), in which the term "interstate and foreign commerce" is defined. This definition is identical with that of the Clayton Act, but it uses the clause "except where otherwise indicated," while the definition of the Clayton Act instead contains a proviso that "nothing in this Act shall apply to the Philippines." This variation in phraseology did no change the meaning, but was appropriate in view of the intervening Act of August 29, 1916. No other interpretation of the clause "except where otherwise indicated" is possible, if the accepted tenets of construction are observed.

Many conflicting code provisions regulating the export trade were approved under the authority of Section 3 (a), without reference to the limitations implicit in Section7 (d). The large number of amendments and exemptions with respect to these regulations demonstrates that the original concept of Section 3 (a) was mistaken. The mistake apparently lay in a failure to distinguish between product and function, even though this distinction is clearly implied in the terms of the Section. Actually, codes regulated function, but since they were

constructed upon the basis of product, the same code often embraced divergent functions not always amenable to the regulations established by the code.

The corrective process (amendments, exemptions, and even original provisions in late codes), was often misused to create geographical limitations contrary to Section 7 (d), and in spite of the fact that laws and regulations of Congress are equally applicable throughout the entire field over which Congress has regulatory power. When a given function is regulated, the regulation applies and controls wherever the function is found. Numerous examples might be cited of code provisions establishing lesser geographical limits within the field of interstate and foreign commerce.

When the need for a tariff provision was debated in Congress, it was suggested that Section 3 (a), coupled with Section 3 (b), contained all the authority necessary to control imports. Such a use of the Section would doubtless have involved a resort to Sections 4 (a) and 4 (b), containing authority to prescribe codes and license industry, since importers would not voluntarily assent to code provisions which seriously restricted imports or limited the functions of importing. This was the view of the Legal Division, as indicated by an Office Memorandum dated November 17, 1933, providing that imports might be restricted, and importers regulated against their wishes, only pursuant to the provisions of Section 3 (e). None-the-less, under Section 3 (a) such regulations were attempted, in spite of the proviso as to the right to be heard, and the lack of legal force in the absence of either representation or assent.

Importers did voluntarily sponsor a few importing codes to promote cooperative action, but these codes neither limited imports nor seriously affected the function of importing.